

RICHMOND

LOCAL MUNICIPALITY



2015/16

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2016

RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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GENERAL INFORMATION

MAYOR

Cllr. A. Ragavaloo

DEPUTY MAYOR

Cllr. P.C. Ngcobo

SPEAKER

Vacant

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Deputy Mayor

Councillor: T.D. Kunene (up to 31/05/2016)

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External: Auditor General

Internal: Umnotho Business Consultants

PRIMARY BANKER

First National Bank

REGISTERED OFFICE

Memorial Hall
57 Shepstone Street
RICHMOND
3780

Private Bag 1028
RICHMOND
3780

Telephone: (033) 212-2155

Facsimile: (033) 212-4183

E-Mail: sibusiso.sithole@richmond.gov.za

MUNICIPAL MANAGER

E.S. Sithole

(033) 212-2155

sibusiso.sithole@richmond.gov.za

CHIEF FINANCIAL OFFICER

S. Mewalall

(033) 212-2155

cfo@richmond.gov.za

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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 137, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2016.

E.S. SITHOLE
MUNICIPAL MANAGER
31 August 2016

S. MEWALALL
CHIEF FINANCIAL OFFICER
31 August 2016

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MEMBERS OF THE COUNCIL

WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
1	Ragavaloo A	ANC	Moonsamay P	ANC
2	Tshelembe WT	ANC	Ngcobo PC	ANC
3	Magubane KE	IND	Maphumulo M	ANC
			(up to 31/01/2016)	
			Mkhize OM	ANC
			(from 01/03/2016)	
4	Shange RB	ANC	Ngubo MDB	ANC
5	Ngcongo B	ANC	Mdlalose SA	ANC
6	Jili J	ANC	Madonda TC	DA
7	Kunene TD	ANC	Mngadi BM	UDM
	(up to 31/05/2016)			

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

E.S. SITHOLE
MUNICIPAL MANAGER
 31 August 2016

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FOREWORD

During the 2015/16 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously forgotten. Further to ensure that compliance with Batho Pele principles is adhered to at all times, we call upon our Councillors, Community Development Workers and Ward Committees to discharge their responsibilities in the spirit of co-operative governance.

Although capital infrastructure projects were limited to those financed from external grant funding, the municipality has successfully finalised some of the projects identified in the Integrated Development Plan. There has been significant under spending in this regard and the municipality has already submitted a request for roll-over of budget to both CoGTA and National Treasury.

The municipality will in the 2016/17 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2015/16 projects.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the 2015/16 year and hope that the 2016/17 targets set in the Integrated Development Plan will be met.

I thank you.

CLR A. RAGAVALOO
MAYOR
31 August 2016

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AUDIT REPORT

The 2015/16 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

RICHMOND LOCAL MUNICIPALITY
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for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Richmond Local Municipality at 30 June 2016.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2015/16 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2016 indicates an increase in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Employee Benefit Liabilities. The increase in Current Liabilities is primarily as a result of the increase in Payables and Unspent Conditional Grants and Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) before Appropriations	36 377 091	26 846 422
Surplus / (Deficit) at the end of the Year	207 962 824	171 585 733
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	38.67%	39.09%
Remuneration of Councillors	4.84%	5.72%
Collection Costs	0.19%	0.09%
Depreciation and Amortisation	11.01%	12.11%
Impairment Losses	1.11%	1.74%
Repairs and Maintenance	2.22%	3.53%
Interest Paid	0.52%	0.07%
Contracted Services	9.59%	10.80%
Grants and Subsidies Paid	2.30%	1.92%
General Expenses	29.54%	24.77%
Current Ratio:		
Trade Creditors Days	50	30
Debtors from Exchange Transactions Days	17	13

2.2 Performance Indicators:

INDICATOR	2016	2015
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	28.23%	9.42%
Outstanding Service Debtors to Revenue	121.74%	35.78%
Liquidity Management:		
Liquidity Ratio	2.17	2.48
Liability Management:		
Capital Cost as percentage of Own Revenue	1.94%	0.66%
Borrowed Funding as percentage of Own Capital Expenditure	0.00%	2.90%
Borrowing as percentage of Total Capital Assets	0.03%	0.07%
Safety of Capital:		
Gearing	0.02%	0.06%
Financial Viability:		
Debt Coverage	6.51	6.88
Cost Coverage	0.62	0.77
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	20.86%	17.30%
Capital Expenditure on Infrastructure to Total Capital Expenditure	77.18%	66.92%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Richmond Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2016 are as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	171 325 685	144 491 985	18.57	-	100.00
Operating income for the year	123 160 276	97 037 982	26.92	119 498 805	3.06
Appropriations for the year	(15 151)	(12 722)	19.09	-	100.00
	294 470 809	241 517 245	21.93	119 498 805	146.42
Expenditure:					
Operating expenditure for the year	86 783 185	70 191 560	23.64	96 904 379	(10.44)
Sundry transfers	(0)	-	100.00	-	100.00
Closing surplus / (deficit)	207 687 624	171 325 685	21.22	22 594 426	819.20
	294 470 809	241 517 245	21.93	119 498 805	146.42

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	117 746 766	94 098 725	25.13	113 283 958	3.94
Expenditure	72 790 317	57 927 430	25.66	80 616 470	(9.71)
Surplus / (Deficit)	44 956 449	36 171 295	24.29	32 667 488	37.62
Surplus / (Deficit) as % of total income	38.18%	38.44%		28.84%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	441 753	348 445	26.78	1 355 753	(67.42)
Expenditure	444 906	348 445	27.68	1 355 753	(67.18)
Surplus / (Deficit)	(3 152)	-	100.00	-	100.00
Surplus / (Deficit) as % of total income	(0.71)%	100.00%		100.00%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	3 280 848	929 266	253.06	3 279 094	0.05
Expenditure	2 882 209	2 405 249	19.83	3 279 094	(12.10)
Surplus / (Deficit)	398 639	(1 475 983)	(127.01)	-	100.00
Surplus / (Deficit) as % of total income	12.15%	(158.83)%		100.00%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R33 034 530 (2014/15: R26 958 617). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R33 034 530 was financed as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Grants and Subsidies	29 391 042	16 154 785	81.93	22 592 400	30.09
Public Contributions	349 254	27 522	1 168.98	-	100.00
Own Funds (Accumulated Surplus)	3 294 234	8 362 212	(60.61)	25 053 417	(86.85)
	33 034 530	24 544 519	34.59	47 645 817	(30.67)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2016	2015
Grants and Subsidies	88.97%	65.82%
Public Contributions	1.06%	0.11%
Own Funds (Accumulated Surplus)	9.97%	34.07%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	22 594 426	10 576 563
Revenue variances	3 661 471	28 886 724
Expenditure variances:		
Employee Related Costs	2 227 957	(501 858)
Remuneration of Councillors	77 676	(105 057)
Collection Costs	(2 680)	(15 525)
Depreciation and Amortisation	(1 114 351)	(2 915 776)
Impairment Losses	809 128	(1 223 622)
Repairs and Maintenance	456 760	1 044 344
Interest Paid	(93 573)	(45 035)
Contracted Services	4 422 689	(4 326 764)
Grants and Subsidies Paid	978 422	(620 454)
General Expenses	2 339 298	(3 799 832)
Loss on disposal of Property, Plant and Equipment	19 868	(107 285)
Actual surplus before appropriations	36 377 091	26 846 422

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	22 594 426	24 710 891
Executive and Council	513 512	545 333
Budget and Treasury Office	4 125 620	1 938 357
Corporate Services	1 098 217	964 646
Community and Social Services	729 017	132 880
Public Safety	(136 278)	215 156
Sport and Recreation	2 105 787	919 272
Housing	(3 152)	-
Planning and Development	5 086 027	(2 163 456)
Roads and Transport	(134 724)	(966 313)
Waste Management	398 639	549 657
Actual surplus before appropriations	36 377 091	26 846 422

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Variance actual 2015/16 / 2014/15 R	Budgeted 2015/16 R	Variance actual/ budgeted R
Executive and Council	293 244	45 488	247 756	1 766 648	(1 473 404)
Budget and Treasury Office	22 924	138 363	(115 439)	10 000	12 924
Corporate Services	32 905	46 446	(13 541)	357 400	(324 495)
Community and Social Services	1 063 077	10 919 685	(9 856 608)	805 989	257 088
Sport and Recreation	-	-	-	2 174 000	(2 174 000)
Public Safety	2 529 795	-	2 529 795	2 792 500	(262 705)
Planning and Development	3 584 972	1 341 845	2 243 127	5 156 000	(1 571 028)
Roads and Transport	22 317 819	12 052 693	10 265 126	34 277 580	(11 959 761)
Waste Management	3 189 794	-	3 189 794	305 700	2 884 094
	33 034 530	24 544 519	8 490 010	47 645 817	(14 611 288)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R207 962 824 (30 June 2015: R171 585 733) and is made up as follows:

Accumulated Surplus	207 687 624
	<u>207 687 624</u>

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2016 was R46 447 (30 June 2015: R96 935).

Loans to the amount of R0 (2014/15: R242,307) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 17 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R10 490 229 as at 30 June 2016 (30 June 2015: R9 093 674) and is made up as follows:

Post-retirement Health Care Benefits Liability	8 863 414
Long Service Awards Liability	<u>1 626 815</u>
	<u>10 490 229</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R5 524 675 as at 30 June 2016 (30 June 2015: R2 224 176) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>5 524 675</u>
	<u>5 524 675</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R22 015 113 as at 30 June 2016 (30 June 2015: R19 006 117) and is made up as follows:

Provisions	Note 12	176 581
Payables from Exchange Transactions	Note 13	9 959 604
Payables from Non-exchange Transactions	Note 14	3 642 652
Unspent Conditional Grants and Receipts	Note 15	7 803 357
Operating Lease Liabilities	Note 16	367 234
Current Portion of Long-term Liabilities	Note 17	<u>65 686</u>
		<u>22 015 113</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R167 007 732 as at 30 June 2016 (30 June 2015: R143 528 816).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R4 594 as at 30 June 2016 (30 June 2015: R7 748).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R4 114 852 as at 30 June 2016 (30 June 2015: R4 114 852).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R60 880 as at 30 June 2016 (30 June 2015: R60 880).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 10 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R266 as at 30 June 2016 (30 June 2015: R266).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 11 for more detail.

16. CURRENT ASSETS

Current Assets amounted R74 850 963 as at 30 June 2016 (30 June 2015: R54 294 073) and is made up as follows:

Inventories	Note 2	1 223
Receivables from Exchange Transactions	Note 3	530 002
Receivables from Non-exchange Transactions	Note 4	22 643 103
VAT Receivable	Note 5	3 940 546
Cash and Cash Equivalents	Note 6	47 736 089
		<u>74 850 963</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 25, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

19. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2016

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

		Actual	
	Note	2016 R	2015 Restated R
ASSETS			
Current Assets		74 850 963	54 294 073
Inventories	2	1 223	85 863
Receivables from Exchange Transactions	3	530 002	364 775
Receivables from Non-exchange Transactions	4	22 643 103	5 830 803
VAT Receivable	5	3 940 546	949 460
Cash and Cash Equivalents	6	47 736 089	47 063 172
Non-Current Assets		171 188 325	147 712 562
Property, Plant and Equipment	7	167 007 732	143 528 816
Intangible Assets	8	4 594	7 748
Investment Property	9	4 114 852	4 114 852
Heritage Assets	10	60 880	60 880
Non-current Investments	11	266	266
Total Assets		246 039 288	202 006 635
LIABILITIES			
Current Liabilities		22 015 113	19 006 117
Provisions	12	176 581	272 416
Payables from Exchange Transactions	13	9 959 604	8 144 122
Payables from Non-exchange Transactions	14	3 642 652	2 775 254
Unspent Conditional Grants and Receipts	15	7 803 357	7 416 519
Operating Lease Liabilities	16	367 234	332 120
Current Portion of Long-term Liabilities	17	65 686	65 686
Non-Current Liabilities		16 061 351	11 414 785
Long-term Liabilities	17	46 447	96 935
Employee Benefit Liabilities	18	10 490 229	9 093 674
Non-current Provisions	19	5 524 675	2 224 176
Total Liabilities		38 076 464	30 420 902
Total Assets and Liabilities		207 962 824	171 585 733
NET ASSETS		207 962 824	171 585 733
Accumulated Surplus / (Deficit)	20	207 962 824	171 585 733
Total Net Assets		207 962 824	171 585 733

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016	2015
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	21	10 985 181	10 167 863
Property Rates - Penalties imposed and collection charges	28	1 282 718	1 037 247
Fines	22	355 999	168 550
Licences and Permits	23	83 377	325 603
Income from Agency Services	24	571 567	558 232
Government Grants and Subsidies Received	25	97 124 941	74 934 616
Revenue from Exchange Transactions			
Service Charges	26	451 165	425 934
Rental of Facilities and Equipment	27	6 223 857	5 583 050
Interest Earned - External Investments	28	3 945 953	3 110 101
Interest Earned - Outstanding Debtors	28	91 372	103 920
Other Revenue	29	2 044 146	622 867
Gains on Disposal of Property, Plant and Equipment	40	-	-
Total Revenue		123 160 276	97 037 982
EXPENDITURE			
Employee Related Costs	30	33 562 677	27 440 156
Remuneration of Councillors	31	4 202 268	4 013 283
Collection Costs	32	162 680	65 525
Depreciation and Amortisation	33	9 558 635	8 499 554
Impairment Losses	34	960 872	1 223 622
Repairs and Maintenance	35	1 925 640	2 479 726
Finance Costs	36	453 573	46 335
Contracted Services	37	8 318 864	7 583 504
Grants and Subsidies Paid	38	1 998 716	1 345 454
General Expenses	39	25 639 127	17 387 115
Loss on Disposal of Property, Plant and Equipment	40	132	107 285
Total Expenditure		86 783 185	70 191 560
SURPLUS / (DEFICIT) FOR THE YEAR		36 377 091	26 846 422

Refer to Budget Statement for explanation of budget variances

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Total for Accumulated Surplus/(Deficit) Account	Total
2015	R	R
Balance at 30 June 2014	140 770 957	140 770 957
Change in Accounting Policy (Note 41)	-	-
Correction of Error (Note 42)	3 968 354	3 968 354
Restated Balance	144 739 311	144 739 311
Surplus / (Deficit) for the year	26 846 422	26 846 422
Interest allocated to Funds and Reserves	-	-
Balance at 30 June 2015	171 585 733	171 585 733
2016		
Change in Accounting Policy (Note 41)	-	-
Correction of Error (Note 42)	(217 028)	(217 028)
Restated Balance	171 585 733	171 585 733
Surplus / (Deficit) for the year	36 377 091	36 377 091
Interest allocated to Funds and Reserves	-	-
Balance at 30 June 2016	207 962 824	207 962 824

Details on the movement of the Funds and Reserves are set out in Note 20.

RICHMOND LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		Actual	
	Note	2016	2015
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	21	8 768 911	8 209 403
Government Grant and Subsidies	25	97 511 779	64 986 894
Service Charges	26	209 202	1 141 729
Interest Received	28	3 945 953	3 110 101
Other Receipts	29	(7 818 218)	7 202 961
Payments			
Employee Related Costs	30	(32 261 957)	(26 340 568)
Remuneration of Councillors	31	(4 202 268)	(4 013 283)
Interest Paid	36	(453 573)	(46 335)
Suppliers Paid	37	(8 344 381)	(7 419 145)
Other Payments	39	(23 597 513)	(18 672 988)
NET CASH FLOWS FROM OPERATING ACTIVITIES		33 757 935	28 158 769
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(33 034 530)	(26 958 617)
Proceeds on Disposal of Capital Assets		(0)	47 040
NET CASH FLOWS FROM INVESTING ACTIVITIES		(33 034 530)	(26 911 577)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	17	-	242 307
Repayment of Borrowings	17	(50 488)	(100 456)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(50 488)	141 852
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	672 917	1 389 044
Cash and Cash Equivalents at Beginning of Period		47 063 172	45 674 128
Cash and Cash Equivalents at End of Period		47 736 089	47 063 172

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	125 000	-	125 000	-	-	125 000	1 223	-	(123 777)	0.98	0.98
Receivables from Exchange Transactions	1 615 000	-	1 615 000	-	-	1 615 000	530 002	-	(1 084 998)	32.82	32.82
Receivables from Non-exchange Transactions	1 391 000	-	1 391 000	-	-	1 391 000	22 643 103	-	21 252 103	1 627.83	1 627.83
VAT Receivable	-	-	-	-	-	-	3 940 546	-	3 940 546	0.00	0.00
Cash and Cash Equivalents	42 600 000	-	42 600 000	-	-	42 600 000	47 736 089	-	5 136 089	112.06	112.06
Non-Current Assets											
Property, Plant and Equipment	124 480 000	-	124 480 000	-	-	124 480 000	167 007 732	-	42 527 732	134.16	134.16
Intangible Assets	16 000	-	16 000	-	-	16 000	4 594	-	(11 406)	28.71	28.71
Investment Property	4 115 000	-	4 115 000	-	-	4 115 000	4 114 852	-	(148)	100.00	100.00
Heritage Assets	-	-	-	-	-	-	60 880	-	60 880	0.00	0.00
Non-current Investments	-	-	-	-	-	-	266	-	266	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	0	-	0	0.00	0.00
Total Assets	174 342 000	-	174 342 000	-	-	174 342 000	246 039 288	-	71 697 288	141.12	141.12
Current Liabilities											
Provisions	-	-	-	-	-	-	176 581	-	176 581	0.00	0.00
Payables from Exchange Transactions	1 500 000	-	1 500 000	-	-	1 500 000	9 959 604	-	8 459 604	663.97	663.97
Payables from Non-exchange Transactions	-	-	-	-	-	-	3 642 652	-	3 642 652	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	7 803 357	-	7 803 357	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	367 234	-	367 234	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	65 686	-	65 686	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	46 447	-	46 447	0.00	0.00
Retirement Benefit Liabilities	9 194 000	-	9 194 000	-	-	9 194 000	10 490 229	-	1 296 229	114.10	114.10
Non-current Provisions	3 574 000	-	3 574 000	-	-	3 574 000	5 524 675	-	1 950 675	154.58	154.58
Total Liabilities	14 268 000	-	14 268 000	-	-	14 268 000	38 076 464	-	23 808 464	266.87	266.87
Total Assets and Liabilities	160 074 000	-	160 074 000	-	-	160 074 000	207 962 824	-	47 888 824	129.92	129.92
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	160 074 000	-	160 074 000	-	-	160 074 000	207 962 824	-	47 888 824	129.92	129.92
Total Net Assets	160 074 000	-	160 074 000	-	-	160 074 000	207 962 824	-	47 888 824	129.92	129.92

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Inventories were over-budgeted for.

Receivables from Exchange Transactions:

It was over-budgeted for Receivables from Exchange Transactions.

Receivables from Non-exchange Transactions:

It was under-budgeted for Receivables from Exchange Transactions.

VAT Receivable:

Claim for Input VAT not yet paid by SARS. NT Budget Templates not aligned to GRAP - included in Payables.

Cash and Cash Equivalents:

It was not budgeted for Unspent Grants at year-end.

Property, Plant and Equipment:

It was under-budgeted for Infrastructure Projects.

Intangible Assets:

It was over-budgeted for Intangible Assets - immaterial amount.

Heritage Assets:

NT Budget Template not aligned to GRAP - included in budget for Property, Plant & Equipment.

Non-current Investments:

Negligent amount.

Provisions:

It was not budgeted for Provisions.

Payables from Exchange Transactions:

It was under-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was over-budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Current Portion of Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Retirement Benefit Liabilities:

Included in budget for Non-current Provisions.

Non-current Provisions:

Includes budget for Retirement Benefit Liabilities

Accumulated Surplus / (Deficit):

It was under-budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	10 100 000	500 000	10 600 000	-	-	10 600 000	10 985 181	-	385 181	103.63	108.76
Property Rates - Penalties imposed and collection charges	300 000	400 000	700 000	-	-	700 000	1 282 718	-	582 718	183.25	427.57
Fines	52 500	-	52 500	-	-	52 500	355 999	-	303 499	678.09	678.09
Licences and Permits	675 500	(500 000)	175 500	-	-	175 500	83 377	-	(92 123)	47.51	12.34
Income for Agency Services	593 700	(100 000)	493 700	-	-	493 700	571 567	-	77 867	115.77	96.27
Government Grants and Subsidies Received	70 459 000	2 560 835	73 019 835	-	-	73 019 835	69 869 281	-	(3 150 554)	95.69	99.16
Revenue from Exchange Transactions											
Service Charges	450 000	-	450 000	-	-	450 000	451 165	-	1 165	100.26	100.26
Rental of Facilities and Equipment	2 771 500	978 000	3 749 500	-	-	3 749 500	6 223 857	-	2 474 357	165.99	224.57
Interest Earned - External Investments	2 500 000	585 000	3 085 000	-	-	3 085 000	3 945 953	-	860 953	127.91	157.84
Interest Earned - Outstanding Debtors	105 000	(20 000)	85 000	-	-	85 000	91 372	-	6 372	107.50	87.02
Other Income	321 930	1 544 649	1 866 579	-	-	1 866 579	2 044 146	-	177 567	109.51	634.97
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	88 329 130	5 948 484	94 277 614	-	-	94 277 614	95 904 616	-	1 627 002	101.73	108.58
Expenditure											
Employee Related Costs	36 747 834	(957 200)	35 790 634	-	-	35 790 634	33 562 677	-	(2 227 957)	93.78	91.33
Remuneration of Councillors	4 472 944	(193 000)	4 279 944	-	-	4 279 944	4 202 268	-	(77 676)	98.19	93.95
Collection Costs	40 000	40 000	80 000	-	80 000	160 000	162 680	2 680	2 680	101.67	406.70
Depreciation and Amortisation	7 899 035	545 250	8 444 285	-	-	8 444 285	9 558 635	1 114 351	1 114 351	113.20	121.01
Impairment Losses	1 085 000	685 000	1 770 000	-	-	1 770 000	960 872	-	(809 128)	54.29	88.56
Repairs and Maintenance	2 065 000	317 400	2 382 400	-	-	2 382 400	1 925 640	-	(456 760)	80.83	93.25
Finance Costs	345 000	15 000	360 000	-	-	360 000	453 573	93 573	93 573	125.99	131.47
Contracted Services	8 468 100	4 273 453	12 741 553	-	-	12 741 553	8 318 864	-	(4 422 689)	65.29	98.24
Grants and Subsidies Paid	990 000	1 980 753	2 970 753	-	6 385	2 977 138	1 998 716	-	(978 422)	67.14	201.89
General Expenses	27 483 860	580 950	28 064 810	-	(86 385)	27 978 425	25 639 127	-	(2 339 298)	91.64	93.29
Loss on Disposal of Property, Plant and Equipment	-	20 000	20 000	-	-	20 000	132	-	(19 868)	0.66	0.00
Total Expenditure	89 596 773	7 307 606	96 904 379	-	-	96 904 379	86 783 185	1 210 604	(10 121 194)	89.56	96.86
Surplus/(Deficit)	(1 267 643)	(1 359 122)	(2 626 765)	-	-	(2 626 765)	9 121 431	(1 210 604)	11 748 196	0.00	0.00
Transfers Recognised - Capital	17 376 000	7 845 191	25 221 191	-	-	25 221 191	27 255 660	2 034 469	2 034 469	108.07	156.86
Surplus/(Deficit for the Year)	16 108 357	6 486 069	22 594 426	-	-	22 594 426	36 377 091	823 865	13 782 664	161.00	225.83

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

Penalties and Collection Charges imposed exceeded budgetary expectations.

Fines:

Fines issued and paid exceeded budgetary expectations, and the stipulations of IGRAP1 was not considered during the budgeting process.

Licences and Permits:

The Driver's Testing Centre did not come into operation as expected.

Income for Agency Services:

Income for Agency Services exceeded budgetary expectations.

Rental of Facilities and Equipment:

It was under-budgeted for rental received for the Plantation.

Interest Earned - External Investments:

It was not budgeted for Unspent Grants at year-end.

Depreciation and Amortisation:

It was under budgeted for Depreciation and Amortisation.

Impairment Losses:

It was over-budgeted for Impairment Losses on Debtors.

Repairs and Maintenance:

It was over-budgeted for Repairs and Maintenance.

Finance Costs:

It was under-budgeted for Finance Costs.

Contracted Services:

It was over-budgeted for Contracted Services.

Grants and Subsidies Paid:

It was over-budgeted for Grants and Subsidies Paid.

Loss on Disposal of Property, Plant and Equipment:

It was over-budgeted for Loss on Disposal of Property, Plant and Equipment.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	100 000	1 666 648	1 766 648	-	-	1 766 648	293 244	-	(1 473 404)	16.60	293.24
Budget and Treasury Office	-	10 000	10 000	-	-	10 000	22 924	12 924	12 924	229.24	0.00
Corporate Services	343 000	14 400	357 400	-	-	357 400	32 905	-	(324 495)	9.21	9.59
Community and Social Services	581 000	224 989	805 989	-	-	805 989	1 063 077	257 088	257 088	131.90	182.97
Sport and Recreation	1 226 000	948 000	2 174 000	-	-	2 174 000	-	-	(2 174 000)	0.00	0.00
Public Safety	634 000	2 158 500	2 792 500	-	-	2 792 500	2 529 795	-	(262 705)	90.59	399.02
Planning and Development	130 000	5 026 000	5 156 000	-	-	5 156 000	3 584 972	-	(1 571 028)	69.53	2 757.67
Roads and Transport	22 537 000	11 740 580	34 277 580	-	-	34 277 580	22 317 819	-	(11 959 761)	65.11	99.03
Waste Management	300 000	5 700	305 700	-	-	305 700	3 189 794	2 884 094	2 884 094	1 043.44	1 063.26
Total Capital Expenditure	25 851 000	21 794 817	47 645 817	-	-	47 645 817	33 034 530	3 154 106	(14 611 288)	69.33	127.79

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Furniture and Equipment budgeted for were not procured.

Budget and Treasury Office:

Expenditure budgeted for under Corporate Services.

Corporate Services:

Expenditure budgeted for incurred under Budget and Treasury Office.

Community and Social Services:

Richmond Drivers' Testing Centre budgeted for under Public Safety.

Sport and Recreation:

Projects budgeted for, were not completed and are carried over to 2015/16.

Planning and Development:

Budget for projects included in Waste Management.

Roads and Transport:

MIG Projects budgeted for, were not completed and are carried over to 2015/16.

Waste Management:

Expenditure budgeted for incurred under Planning and Development.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	9 360 000	-	9 360 000	-	-	9 360 000	8 768 911	-	(591 089)	93.68	93.68
Grants	86 982 000	-	86 982 000	-	-	86 982 000	97 511 779	10 529 779	10 529 779	112.11	112.11
Service Charges	405 000	-	405 000	-	-	405 000	209 202	-	(195 798)	51.65	51.65
Interest Received	2 500 000	-	2 500 000	-	-	2 500 000	3 945 953	1 445 953	1 445 953	157.84	157.84
Other Receipts	4 345 174	-	4 345 174	-	-	4 345 174	(7 818 218)	-	(12 163 392)	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(32 261 957)	-	(32 261 957)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(4 202 268)	-	(4 202 268)	0.00	0.00
Interest Paid	(175 000)	-	(175 000)	-	-	(175 000)	(453 573)	-	(278 573)	0.00	0.00
Suppliers Paid	(79 892 737)	-	(79 892 737)	-	-	(79 892 737)	(8 344 381)	71 548 356	71 548 356	0.00	0.00
Other Payments	-	-	-	-	-	-	(23 597 513)	-	(23 597 513)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(25 850 650)	-	(25 850 650)	-	-	(25 850 650)	(33 034 530)	-	(7 183 880)	0.00	0.00
Proceeds on Disposal of Capital Assets	-	-	-	-	-	-	(0)	-	(0)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	13 164 000	-	13 164 000	-	-	13 164 000	-	-	(13 164 000)	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	(50 488)	-	(50 488)	0.00	0.00
Cash and Cash Equivalents at End of the Year	10 837 787	-	10 837 787	-	-	10 837 787	672 917	83 524 087	(10 164 870)	6.21	6.21

Cash Flow: Explanation of Variances between Approved Budget and Actual	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:	
Grants	
It was under-budgeted for Grants.	
Service Charges	
It was over-budgeted for Service Charges.	
Interest Received	
It was under-budgeted for Interest Received.	
Other Receipts	
It was over-budgeted for Other Receipts.	
Employee Related Costs	
Budget not aligned to GRAP - included in budget for Suppliers Paid.	
Remuneration of Councillors	
Budget not aligned to GRAP - included in budget for Suppliers Paid.	
Interest Paid	
It was under-budgeted for Interest Paid.	
Suppliers Paid	
Budget not aligned to GRAP - other streams of expenditure included in budget for Suppliers Paid.	
Other Payments	
Included in budget for Suppliers Paid.	
Purchase of Property, Plant and Equipment:	
It was under-budgeted for Purchase of Property, Plant and Equipment.	
Decrease / (Increase) in Long-term Receivables:	
It was over-budgeted for Long-term Receivables.	
Loans repaid:	
It was not budgeted for Loans Repaid.	
Cash and Cash Equivalents at End of the Year:	
It was over-budgeted for Cash and Cash Equivalents.	

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	186 000	-	186 000	-	-	186 000	85 863	-	(100 137)	46.16	46.16
Receivables from Exchange Transactions	2 298 000	-	2 298 000	-	-	2 298 000	364 775	-	(1 933 225)	15.87	15.87
Receivables from Non-exchange Transactions	1 312 000	-	1 312 000	-	-	1 312 000	5 830 803	-	4 518 803	444.42	444.42
VAT Receivable	-	-	-	-	-	-	949 460	-	949 460	0.00	0.00
Cash and Cash Equivalents	74 372 000	(43 270 000)	31 102 000	-	-	31 102 000	47 063 172	-	15 961 172	151.32	63.28
Non-Current Assets											
Property, Plant and Equipment	113 164 000	-	113 164 000	-	-	113 164 000	143 528 816	-	30 364 816	126.83	126.83
Intangible Assets	16 000	-	16 000	-	-	16 000	7 748	-	(8 252)	48.42	48.42
Investment Property	4 115 000	-	4 115 000	-	-	4 115 000	4 114 852	-	(148)	100.00	100.00
Heritage Assets	-	-	-	-	-	-	60 880	-	60 880	0.00	0.00
Non-current Investments	6 598 000	-	6 598 000	-	-	6 598 000	266	-	(6 597 734)	0.00	0.00
Long-term Receivables	10 000	-	10 000	-	-	10 000	0	-	(10 000)	0.00	0.00
Total Assets	202 071 000	(43 270 000)	158 801 000	-	-	158 801 000	202 006 635	-	43 205 635	127.21	99.97
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	-	-	-	0.00	0.00
Provisions	-	-	-	-	-	-	272 416	-	272 416	0.00	0.00
Payables from Exchange Transactions	1 402 000	-	1 402 000	-	-	1 402 000	8 144 122	-	6 742 122	580.89	580.89
Payables from Non-exchange Transactions	-	-	-	-	-	-	2 775 254	-	2 775 254	0.00	0.00
Unspent Conditional Grants and Receipts	21 357 000	-	21 357 000	-	-	21 357 000	7 416 519	-	(13 940 481)	34.73	34.73
Operating Lease Liabilities/Payables	156 000	-	156 000	-	-	156 000	332 120	-	176 120	212.90	212.90
Current Portion of Long-term Liabilities	-	-	-	-	-	-	65 686	-	65 686	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	21 000	-	21 000	-	-	21 000	96 935	-	75 935	461.60	461.60
Retirement Benefit Liabilities	7 493 500	-	7 493 500	-	-	7 493 500	9 093 674	-	1 600 174	121.35	121.35
Non-current Provisions	3 273 500	-	3 273 500	-	-	3 273 500	2 224 176	-	(1 049 324)	67.94	67.94
Total Liabilities	33 703 000	-	33 703 000	-	-	33 703 000	30 420 902	-	(3 282 098)	90.26	90.26
Total Assets and Liabilities	168 368 000	(43 270 000)	125 098 000	-	-	125 098 000	171 585 733	-	46 487 733	137.16	101.91
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	168 368 000	(43 270 000)	125 098 000	-	-	125 098 000	171 585 733	-	46 487 733	137.16	101.91
Total Net Assets	168 368 000	(43 270 000)	125 098 000	-	-	125 098 000	171 585 733	-	46 487 733	137.16	101.91

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Inventories:

Inventories were not over budgeted for - immaterial amount.

Receivables from Exchange Transactions:

It was over budgeted for Receivables from Exchange Transactions.

Receivables from Non-exchange Transactions:

It was under budgeted for Receivables from Exchange Transactions.

VAT Receivable:

Claim for Input VAT not yet paid by SARS.

Cash and Cash Equivalents:

It was not budgeted for Unspent Grants at year-end.

Property, Plant and Equipment:

It was not budgeted for Land donated to the municipality, as well as the effect of the change in GRAP 100.

Intangible Assets:

It was over budgeted for Intangible Assets.

Heritage Assets:

NT Budget Template not aligned to GRAP - included in budget for Property, Plant & Equipment.

Non-current Investments:

It was not budgeted for Non-current Investments - immaterial amount.

Long-term Receivables:

It was not budgeted for the write-off Long-term Receivables.

Provisions:

It was not budgeted for Provisions.

Payables from Exchange Transactions:

It was under-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was not budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Current Portion of Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Retirement Benefit Liabilities:

Included in budget for Non-current Provisions.

Non-current Provisions:

Includes budget for Retirement Benefit Liabilities

Accumulated Surplus / (Deficit):

It was over budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8 200 000	-	8 200 000	1 000 000	752 000	9 952 000	10 167 863	-	215 863	102.17	124.00
Property Rates - Penalties imposed and collection charges	400 000	-	400 000	80 000	70 000	550 000	1 037 247	-	487 247	188.59	259.31
Fines	252 500	-	252 500	(200 000)	250	52 750	168 550	-	115 800	319.53	66.75
Licences and Permits	336 000	-	336 000	100	44 400	380 500	325 603	-	(54 897)	85.57	96.91
Income for Agency Services	408 500	-	408 500	80 000	63 500	552 000	558 232	-	6 232	101.13	136.65
Government Grants and Subsidies Received	54 860 000	-	54 860 000	17 176 999	6 429 423	78 466 423	47 616 071	-	(30 850 352)	60.68	86.80
Revenue from Exchange Transactions											
Service Charges	488 820	-	488 820	(70 000)	(18 820)	400 000	425 934	-	25 934	106.48	87.14
Rental of Facilities and Equipment	1 089 768	-	1 089 768	5 289 235	(1 613 733)	4 765 270	5 583 050	-	817 780	117.16	512.32
Interest Earned - External Investments	1 700 000	-	1 700 000	150 000	1 150 000	3 000 000	3 110 101	-	110 101	103.67	182.95
Interest Earned - Outstanding Debtors	70 180	-	70 180	56 000	1 820	128 000	103 920	-	(24 080)	81.19	148.08
Other Income	345 490	-	345 490	37 100	304 170	686 760	622 867	-	(63 893)	90.70	180.29
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	68 151 258	-	68 151 258	23 599 434	7 183 010	98 933 703	69 719 437	-	(29 214 266)	70.47	102.30
Expenditure											
Employee Related Costs	26 938 298	-	26 938 298	-	2 141 660	29 079 958	27 440 156	-	(1 639 801)	94.36	101.86
Remuneration of Councillors	3 908 226	-	3 908 226	-	305 835	4 214 061	4 013 283	-	(200 778)	95.24	102.69
Collection Costs	50 000	-	50 000	-	(10 000)	40 000	65 525	25 525	25 525	163.81	131.05
Depreciation and Amortisation	5 583 778	-	5 583 778	-	1 597 163	7 180 941	8 499 554	1 318 614	1 318 614	118.36	152.22
Impairment Losses	-	-	-	-	900 000	900 000	1 223 622	323 622	323 622	135.96	0.00
Repairs and Maintenance	3 524 070	-	3 524 070	-	(512 700)	3 011 370	2 479 726	-	(531 644)	82.35	70.37
Finance Costs	1 300	-	1 300	-	246 930	248 230	46 335	-	(201 895)	18.67	3 564.26
Contracted Services	3 256 740	-	3 256 740	-	5 126 699	8 383 439	7 583 504	-	(799 935)	90.46	232.86
Grants and Subsidies Paid	725 000	-	725 000	-	625 960	1 350 960	1 345 454	-	(5 505)	99.59	185.58
General Expenses	13 587 283	-	13 587 283	-	6 226 571	19 813 854	17 387 115	-	(2 426 739)	87.75	127.97
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	107 285	107 285	107 285	0.00	0.00
Total Expenditure	57 574 695	-	57 574 695	-	16 648 117	74 222 812	70 191 560	1 775 046	(4 031 251)	94.57	121.91
Surplus/(Deficit)	10 576 563	-	10 576 563	23 599 434	(9 465 106)	24 710 891	(472 123)	(1 775 046)	(25 183 014)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	27 318 545	27 318 545	27 318 545	0.00	0.00
Surplus/(Deficit for the Year)	10 576 563	-	10 576 563	23 599 434	(9 465 106)	24 710 891	26 846 422	25 543 499	2 135 530	108.64	253.83

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

Penalties and Collection Charges imposed exceeded budgetary expectations.

Fines:

Fines issued and paid exceeded budgetary expectations, and the stipulations of IGRAP1 was not considered during the budgeting process.

Licences and Permits:

It was under budgeted for Licences and Permits.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

Rental of Facilities and Equipment:

It was over budgeted for rental received for the Plantation.

Interest Earned - Outstanding Debtors:

Interest raised on Arrear Debt exceeded budgetary expectations.

Collection Costs:

It was under budgeted for Collection Costs.

Depreciation and Amortisation:

It was under budgeted for Depreciation and Amortisation.

Impairment Losses:

It was not budgeted for Impairment Losses on Debtors.

Repairs and Maintenance:

It was over budgeted for Repairs and Maintenance.

Finance Costs:

It was under budgeted for interest on Finance Leases.

General Expenses :

NT Budget Template not aligned to GRAP - General Expenses include other streams of expenditure.

Loss on Disposal of Property, Plant and Equipment:

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	48 000	25 000	73 000	-	-	73 000	45 488	-	(27 512)	62.31	94.77
Budget and Treasury Office	-	20 000	20 000	-	-	20 000	138 363	118 363	118 363	691.81	0.00
Corporate Services	101 000	(21 000)	80 000	-	-	80 000	46 446	-	(33 554)	58.06	45.99
Community and Social Services	1 869 000	(1 474 000)	395 000	-	-	395 000	10 919 685	10 524 685	10 524 685	2 764.48	584.25
Sport and Recreation	409 500	1 977 500	2 387 000	-	(119 350)	2 267 650	-	-	(2 267 650)	0.00	0.00
Public Safety	138 000	9 358 000	9 496 000	-	-	9 496 000	-	-	(9 496 000)	0.00	0.00
Planning and Development	58 000	15 000	73 000	-	-	73 000	1 341 845	1 268 845	1 268 845	1 838.14	2 313.53
Roads and Transport	15 173 000	5 533 000	20 706 000	-	(1 035 300)	19 670 700	12 052 693	-	(7 618 007)	61.27	79.44
Waste Management	1 519 500	(108 500)	1 411 000	-	(70 550)	1 340 450	-	-	(1 340 450)	0.00	0.00
Total Capital Expenditure	19 316 000	15 325 000	34 641 000	-	(1 225 200)	33 415 800	24 544 519	11 911 892	(8 871 281)	73.45	127.07
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Immaterial amount.											
Budget and Treasury Office: {Give short explanation of the main reason(s) for deviation here}											
Corporate Services: Immaterial amount.											
Community and Social Services: Repairs and Maintenance projects budgeted for under capital.											
Sport and Recreation: MIG Projects budgeted for, were not completed and are carried over to 2013/14.											
Public Safety: Richmond Drivers' Testing Centre budgeted for, was not completed and is carried over to 2013/14.											
Planning and Development: Enhancing of Entrance Points to Richmond town budgeted for, was not undertaken.											
Roads and Transport: MIG Projects budgeted for, were not completed and are carried over to 2013/14.											
Waste Management: {Give short explanation of the main reason(s) for deviation here}											

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	11 616 000	-	11 616 000	-	-	11 616 000	8 209 403	-	(3 406 597)	70.67	70.67
Grants	1 800 000	-	1 800 000	-	-	1 800 000	64 986 894	63 186 894	63 186 894	3 610.38	3 610.38
Service Charges	46 917 000	(473 000)	46 444 000	-	-	46 444 000	1 141 729	-	(45 302 271)	2.46	2.43
Interest Received	-	-	-	-	-	-	3 110 101	3 110 101	3 110 101	0.00	0.00
Other Receipts	18 865 000	(1 140 000)	17 725 000	-	-	17 725 000	7 202 961	-	(10 522 039)	40.64	38.18
Employee Related Costs	-	-	-	-	-	-	(26 340 568)	-	(26 340 568)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(4 013 283)	-	(4 013 283)	0.00	0.00
Interest Paid	(114 000)	-	(114 000)	-	-	(114 000)	(46 335)	67 665	67 665	0.00	0.00
Suppliers Paid	(56 992 000)	-	(56 992 000)	-	-	(56 992 000)	(7 419 145)	49 572 855	49 572 855	0.00	0.00
Other Payments	(760 000)	-	(760 000)	-	-	(760 000)	(18 672 988)	-	(17 912 988)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(21 499 000)	(12 592 000)	(34 091 000)	-	-	(34 091 000)	(26 958 617)	7 132 383	7 132 383	0.00	0.00
Proceeds on Disposal of Capital Assets	-	-	-	-	-	-	47 040	47 040	47 040	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	242 307	242 307	242 307	0.00	0.00
Loans repaid	(140 000)	-	(140 000)	-	-	(140 000)	(100 456)	39 544	39 544	0.00	0.00
Cash and Cash Equivalents at End of the Year	(307 000)	(14 205 000)	(14 512 000)	-	-	(14 512 000)	1 389 044	123 398 790	15 901 044	0.00	0.00

Cash Flow: Explanation of Variances between Approved Budget and Actual	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:	
Property Rates	{Give short explanation of the main reason(s) for deviation here}
Grants	It was under-budgeted for Grants.
Service Charges	Budget not aligned to GRAP - included in budget for Property Rates.
Interest Received	It was under-budgeted for Interest Received.
Other Receipts	Budget not aligned to GRAP - included in budget for Property Rates.
Employee Related Costs	Budget not aligned to GRAP - included in budget for Suppliers Paid.
Remuneration of Councillors	Budget not aligned to GRAP - included in budget for Suppliers Paid.
Interest Paid	Immaterial amount.
Suppliers Paid	Budget not aligned to GRAP -other streams of expenditure included in budget for Suppliers Paid.
Other Payments	Budget not aligned to GRAP - included in budget for Suppliers Paid.
Purchase of Property, Plant and Equipment:	It was over-budgeted for Purchase of Property, Plant and Equipment.
Proceeds on Disposal of Capital Assets:	It was not budgeted for Proceeds on Disposal of Property, Plant and Equipment.
New Loans raised:	It was not budgeted for Decrease / (Increase) in External Loans Raised.
Loans repaid:	It was not budgeted for Loans Repaid.
Cash and Cash Equivalents at End of the Year:	It was under-budgeted for Cash and Cash Equivalents.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2015/16		2014/15
	R		R
Net surplus/(deficit) per the statement of financial performance	36 377 091		26 846 422
Revenue from Non-exchange Transactions			
Property Rates	(385 181)		(1 967 863)
Property Rates - Penalties imposed and collection charges	(582 718)		(637 247)
Fines	(303 499)		83 950
Licences and Permits	92 123		10 397
Revenue for Agency Services	(77 867)		(149 732)
Government Grants and Subsidies Received	1 116 085		(20 074 616)
Revenue from Exchange Transactions			
Service Charges	(1 165)		62 886
Rental of Facilities and Equipment	(2 474 357)		(4 493 282)
Interest Earned - External Investments	(860 953)		(1 410 101)
Interest Earned - Outstanding Debtors	(6 372)		(33 740)
Other Revenue	(177 567)		(277 377)
Gains on Disposal of Property, Plant and Equipment	-		-
Expenditure			
Employee Related Costs	(2 227 957)		501 858
Remuneration of Councillors	(77 676)		105 057
Collection Costs	2 680		15 525
Depreciation and Amortisation	1 114 351		2 915 776
Impairment Losses	(809 128)		1 223 622
Repairs and Maintenance	(456 760)		(1 044 344)
Finance Costs	93 573		45 035
Contracted Services	(4 422 689)		4 326 764
Grants and Subsidies Paid	(978 422)		620 454
General Expenses	(2 339 298)		3 799 832
Loss on Disposal of Property, Plant and Equipment	(19 868)		107 285
Net surplus/deficit per approved budget	22 594 426		10 576 563

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 **Revenue Recognition**

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 **Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and N/A to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 7, 8, 9 and 10 to the Annual Financial Statements, if applicable.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.2.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued February 2011
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor - issued August 2013
- GRAP 108 Statutory Receivables - issued September 2013
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Housing Development Fund (HDF):

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is cash-backed. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			Other	
	Improvements	10 - 30		Bins and Containers	5 - 15
	Infrastructure			Computer Equipment	5 - 10
	Electricity	5 - 30		Emergency Equipment	5 - 10
	Roads and Paving	10 - 80		Furniture and Fittings	5 - 15
	Sanitation	7 - 55		Motor Vehicles	7 - 15
	Water	50		Office Equipment	5 - 15
	Community			Plant and Equipment	5 - 15
	Community Facilities	15 - 30		Specialist Vehicles	10 - 20
	Recreational Facilities	15 - 30		Other Assets	25 - 30

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

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3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

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Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

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5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

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7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

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An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

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The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

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8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

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9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date.). The cost is determined using the weighted average cost of commodities.

9.2.2 Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

The standard on GRAP 100, "*Non-current Assets Held-for-Sale*", has been amended with effect as of the current year. The amendments led to the following changes in the presentation, classification and measurement of Non-current Assets Held-for-Sale:

- (a) Changes to the way in which Non-current Assets Held-for-Sale are measured, applied prospectively at the beginning of the period in which these amendments are adopted; and
- (b) Changes to the way in which Non-current Assets Held-for-Sale are classified and presented in the Statement of Financial Position and accompanying Notes, applied retrospectively by adjusting information for the earliest period presented.

This implies that assets classified as held-for-sale would be reclassified to its original designation (e.g. Property, Plant and Equipment) from the first period presented. The assets will be measured based on its original classification.

As per the transitional provision of this standard, management has assessed the residual values, useful lives, depreciation methods, and any indicators of impairment of the reclassified assets at the beginning of the 2014/15 period and not for prior periods. The reclassification was affected in the comparative figures as required by the transitional arrangements.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13. EMPLOYEE BENEFIT LIABILITIES

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

All borrowing costs are treated as an expense in the period in which they are incurred.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

RICHMOND LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

27.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2015 to 30 June 2016.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

1. GENERAL INFORMATION

Richmond Local Municipality (the municipality) is a local government institution in Richmond, Kwa-Zulu Natal Province, and is one of six local municipalities under the jurisdiction of the uMgungundlovu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores	1 223	85 863
Total Inventories	1 223	85 863

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R574 940 (2015: R518 131).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	385 245	215 516	169 729
Refuse	385 245	215 516	169 729
Other Receivables	587 941	227 669	360 273
Total Receivables from Exchange Transactions	973 187	443 185	530 002
As at 30 June 2015			
Service Debtors:	315 712	193 935	121 777
Refuse	315 712	193 935	121 777
Other Receivables	415 512	172 514	242 998
Total Receivables from Exchange Transactions	731 224	366 449	364 775

The prior year amount for *Receivables from Exchange Transactions* has been adjusted. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality receives applications that it processes. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2016, the municipality is owed R2 270 539 (30 June 2015: R1 736 237) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	10 399	21 489	15 621	337 736	385 245
Less: Provision for Impairment	-	-	-	215 516	215 516
Net Balances	10 399	21 489	15 621	122 219	169 729
Other Receivables:					
Gross Balances	49 319	22 313	20 030	496 279	587 941
Less: Provision for Impairment	-	-	-	227 669	227 669
Net Balances	49 319	22 313	20 030	268 611	360 273

As at 30 June Receivables of R470 284 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	43 803	35 651	834 015	913 469
Less: Provision for Impairment	-	-	443 185	443 185
Net Balances	43 803	35 651	390 830	470 284

As at 30 June 2015

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	13 061	20 610	16 264	265 777	315 712
Less: Provision for Impairment	-	-	-	193 935	193 935
Net Balances	13 061	20 610	16 264	71 843	121 777
Other Receivables:					
Gross Balances	3 179	28 816	16 269	367 248	415 512
Less: Provision for Impairment	-	-	-	172 514	172 514
Net Balances	3 179	28 816	16 269	194 734	242 998

As at 30 June Receivables of R348 536 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	49 427	32 533	633 026	714 985
Less: Provision for Impairment	-	-	366 449	366 449
Net Balances	49 427	32 533	266 577	348 536

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
3.2 Summary of Receivables from Exchange Transactions by Customer Classification				
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	34 293	6 881	22 193	(3 649)
<u>Past Due:</u>				
31 - 60 Days	24 556	6 113	11 192	1 942
61 - 90 Days	19 217	4 146	11 192	1 096
+ 90 Days	477 792	111 943	139 243	105 037
Sub-total	555 857	129 084	183 818	104 427
Less: Provision for Impairment	355 366	86 042	-	1 777
Total Trade Receivables by Customer Classification	200 492	43 042	183 818	102 650
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	20 775	(23 387)	16 709	2 142
<u>Past Due:</u>				
31 - 60 Days	23 818	6 045	16 771	2 793
61 - 90 Days	18 877	5 115	5 834	2 707
+ 90 Days	360 084	98 330	88 983	85 629
Sub-total	423 554	86 104	128 297	93 269
Less: Provision for Impairment	217 069	75 721	-	73 659
Total Trade Receivables by Customer Classification	206 486	10 382	128 297	19 611
			2016 R	2015 R

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	366 449	275 248
Impairment Losses recognised	76 736	91 201
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	443 185	366 449

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
3.4 Ageing of impaired Receivables from Exchange Transactions		
<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	443 185	366 449
Total	443 185	366 449

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Assessment Rates Debtors	10 881 694	5 982 738	4 898 957
Payments made in Advance	3 144	-	3 144
Accruals	666 178	-	666 178
Sundry Deposits	27 084	-	27 084
Sundry Debtors	17 371 422	324 997	17 046 425
Suspense Accounts	1 314	-	1 314
Total Receivables from Non-exchange Transactions	28 950 838	6 307 735	22 643 103
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Assessment Rates Debtors	8 654 560	5 412 734	3 241 826
Payments made in Advance	2 858	-	2 858
Accruals	98 104	-	98 104
Sundry Deposits	22 984	-	22 984
Sundry Debtors	2 359 042	142 068	2 216 974
Suspense Accounts	248 055	-	248 055
Total Receivables from Non-exchange Transactions	11 385 604	5 554 802	5 830 803

The prior year amount for *Receivables from Non-exchange Transactions* has been adjusted. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Sundry Deposits are in respect of cash deposits made to Caltex for the supply of fuel and uMgungundlovu District Municipality for the supply of water.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	121 255	278 349	220 727	10 261 363	10 881 694
Less: Provision for Impairment	-	-	-	5 982 738	5 982 738
Net Balances	121 255	278 349	220 727	4 278 625	4 898 957
Payments made in Advance:					
Gross Balances	3 144	-	-	-	3 144
Less: Provision for Impairment	-	-	-	-	-
Net Balances	3 144	-	-	-	3 144
Accruals:					
Gross Balances	666 178	-	-	-	666 178
Less: Provision for Impairment	-	-	-	-	-
Net Balances	666 178	-	-	-	666 178
Sundry Deposits:					
Gross Balances	27 084	-	-	-	27 084
Less: Provision for Impairment	-	-	-	-	-
Net Balances	27 084	-	-	-	27 084
Sundry Debtors:					
Gross Balances	17 371 422	-	-	-	17 371 422
Less: Provision for Impairment	324 997	-	-	-	324 997
Net Balances	17 046 425	-	-	-	17 046 425
Suspense Accounts:					
Gross Balances	1 314	-	-	-	1 314
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1 314	-	-	-	1 314

As at 30 June Receivables of R4 777 702 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	278 349	220 727	10 261 363	10 760 439
Less: Provision for Impairment	-	-	5 982 738	5 982 738
Net Balances	278 349	220 727	4 278 625	4 777 702

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

As at 30 June 2015

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	(223 994)	347 546	210 451	8 320 557	8 654 560
Less: Provision for Impairment	-	-	-	5 412 734	5 412 734
Net Balances	(223 994)	347 546	210 451	2 907 824	3 241 826

Payments made in Advance:

Gross Balances	2 858	-	-	-	2 858
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 858	-	-	-	2 858

Accruals:

Gross Balances	98 104	-	-	-	98 104
Less: Provision for Impairment	-	-	-	-	-
Net Balances	98 104	-	-	-	98 104

Sundry Deposits:

Gross Balances	22 984	-	-	-	22 984
Less: Provision for Impairment	-	-	-	-	-
Net Balances	22 984	-	-	-	22 984

Sundry Debtors:

Gross Balances	2 359 042	-	-	-	2 359 042
Less: Provision for Impairment	142 068	-	-	-	142 068
Net Balances	2 216 974	-	-	-	2 216 974

Suspense Accounts:

Gross Balances	248 055	-	-	-	248 055
Less: Provision for Impairment	-	-	-	-	-
Net Balances	248 055	-	-	-	248 055

As at 30 June Receivables of R3 465 821 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	347 546	210 451	8 320 557	8 878 554
Less: Provision for Impairment	-	-	5 412 734	5 412 734
Net Balances	347 546	210 451	2 907 824	3 465 821

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	365 755	(36 022)	(13 729)	(194 749)
<u>Past Due:</u>				
31 - 60 Days	130 773	69 627	443	77 507
61 - 90 Days	101 462	63 751	443	55 071
+ 90 Days	3 606 636	1 235 084	2 099 565	3 320 078
Sub-total	4 204 627	1 332 440	2 086 721	3 257 907
Less: Provision for Impairment	3 194 104	1 051 992	-	1 736 642
Total Rates Debtors by Customer Classification	1 010 523	280 448	2 086 721	1 521 266

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	(47 706)	(45 849)	(0)	(130 440)
<u>Past Due:</u>				
31 - 60 Days	155 125	96 666	425	95 330
61 - 90 Days	81 605	56 517	425	71 903
+ 90 Days	2 780 916	1 228 815	1 607 090	2 703 736
Sub-total	2 969 941	1 336 149	1 607 941	2 740 530
Less: Provision for Impairment	1 947 352	1 116 615	-	2 348 767
Total Rates Debtors by Customer Classification	1 022 588	219 535	1 607 941	391 763

2016
R **2015**
R

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	5 554 802	4 723 969
Impairment Losses recognised	884 137	948 405
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(131 204)	(117 572)
Balance at end of year	6 307 735	5 554 802

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
5. VAT RECEIVABLE		
Vat Receivable	<u>3 940 546</u>	<u>949 460</u>

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Current Investments	47 266 038	45 796 534
Bank Accounts	466 851	1 263 438
Cash and Cash Equivalents	3 200	3 200
Total Bank, Cash and Cash Equivalents	<u>47 736 089</u>	<u>47 063 172</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	47 266 038	45 796 534
Total Current Investment Deposits	<u>47 266 038</u>	<u>45 796 534</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5,30 % to 7,77 % (2014: 4,30% to 6,34%) per annum.

Deposits attributable to Unspent Conditional Grants	7 803 357	7 416 519
Deposits attributable to Creditors	9 959 604	8 144 122
Deposits attributable to Current Provisions	176 581	272 416
Deposits attributable to Rehabilitation of Landfill Site	5 524 675	2 224 176
Deposits attributable to Long-service Awards	1 626 815	1 380 363
Deposits attributable to Retirement Benefits	8 863 414	7 713 311
Deposits attributable to Provision for Impairment	6 750 919	5 921 251
Deposits available for Operations	6 560 673	12 724 376
Total Deposits attributable to Commitments of the Municipality	<u>47 266 038</u>	<u>45 796 534</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
6.2 Bank Accounts		
Cash in Bank	466 851	1 263 438
Total Bank Accounts	466 851	1 263 438

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Richmond Branch, Richmond - Account Number 535 6532 2104:

Cash book balance at beginning of year	1 263 438	1 851 718
Cash book balance at end of year	466 851	1 263 438
Bank statement balance at beginning of year	1 263 438	1 851 718
Bank statement balance at end of year	466 851	1 263 438

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

Cash Floats and Advances	3 200	3 200
Total Cash on hand in Cash Floats, Advances and Equivalents	3 200	3 200

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2015	12 514 969	8 679 194	79 295 644	35 096 913	7 752 860	189 235	143 528 816
Cost	12 514 969	11 952 075	107 805 104	39 061 363	16 309 988	544 624	188 188 123
- Completed Assets	12 514 969	11 952 075	79 987 202	24 413 269	16 309 988	544 624	145 722 126
- Under Construction	-	-	27 817 902	14 648 094	-	-	42 465 996
Correction of error (Note 42)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(811 789)	(167 677)	(92 154)	-	(1 250 910)
Accumulated Depreciation:	-	(3 093 591)	(27 697 670)	(3 796 773)	(8 464 974)	(355 389)	(43 408 397)
- Cost	-	(3 093 591)	(27 697 670)	(3 796 773)	(8 464 974)	(355 389)	(43 408 397)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	252 234	3 170 899	405 658	4 258 991	-	8 087 782
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	22 325 819	2 620 929	-	-	24 946 748
- Cost	-	-	22 325 819	2 620 929	-	-	24 946 748
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(367 735)	(6 121 465)	(1 378 648)	(1 626 634)	(60 999)	(9 555 481)
- Based on Cost	-	(367 735)	(6 121 465)	(1 378 648)	(1 626 634)	(60 999)	(9 555 481)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	(132)	-	(132)
- Cost	-	-	-	-	(158)	-	(158)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	26	-	26
- Based on Cost	-	-	-	-	26	-	26
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(485 198)	(45 610 974)	(14 175 463)	-	-	(60 271 635)
Other Movements	-	485 198	45 610 974	14 175 463	-	-	60 271 635
- Cost	-	485 198	45 610 974	14 175 463	-	-	60 271 635
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Transfer In	-	-	-	-	-	-	-
- Transfer Out	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2016	12 514 969	8 563 693	98 670 897	36 744 852	10 385 086	128 236	167 007 732
Cost	12 514 969	12 204 309	133 301 822	42 087 949	20 568 822	544 624	221 222 494
- Completed Assets	12 514 969	12 689 507	128 769 075	38 994 389	20 568 822	544 624	214 081 386
- Under Construction	-	(485 198)	4 532 747	3 093 560	-	-	7 141 108
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(811 789)	(167 677)	(92 154)	-	(1 250 910)
Accumulated Depreciation:	-	(3 461 326)	(33 819 135)	(5 175 420)	(10 091 582)	(416 388)	(52 963 852)
- Cost	-	(3 461 326)	(33 819 135)	(5 175 420)	(10 091 582)	(416 388)	(52 963 852)
- Revaluation	-	-	-	-	-	-	-

(485 198.47)

5 217 676.02

376 402.49

(1 964 747.68)

3 144 132.36

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2015

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2014	12 514 969	9 197 633	67 299 347	28 450 623	7 868 539	6 014	125 337 124
Cost	12 514 969	11 885 075	91 380 352	31 184 165	14 150 904	363 953	161 479 417
- Completed Assets	12 514 969	11 885 075	74 450 053	21 102 904	14 150 904	363 953	134 467 857
- Under Construction	-	-	16 930 299	10 081 261	-	-	27 011 560
Correction of error (Note 42)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(757 222)	(73 406)	(57 216)	-	(1 067 133)
Accumulated Depreciation:	-	(2 508 153)	(23 323 783)	(2 660 136)	(6 225 149)	(357 939)	(35 075 160)
- Cost	-	(2 508 153)	(23 323 783)	(2 660 136)	(6 225 149)	(357 939)	(35 075 160)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	67 000	-	-	2 040 050	242 307	2 349 357
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	16 424 752	8 184 509	-	-	24 609 260
- Cost	-	-	16 424 752	8 184 509	-	-	24 609 260
Additions	-	-	16 424 752	8 184 509	-	-	24 609 260
Transfer in	-	-	-	-	-	-	-
In-year Additions - Suspense Votes	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(585 438)	(4 373 887)	(1 136 637)	(2 340 735)	(59 086)	(8 495 784)
- Based on Cost	-	(585 438)	(4 373 887)	(1 136 637)	(2 340 735)	(59 086)	(8 495 784)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	(87 125)	-	(87 125)
- Cost	-	-	-	-	(188 276)	(61 636)	(249 911)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	240	-	240
- Accumulated Depreciation	-	-	-	-	100 911	61 636	162 546
Based on Cost	-	-	-	-	100 911	61 636	162 546
Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
Based on Cost	-	-	-	-	-	-	-
Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	(54 567)	(94 271)	(35 179)	-	(184 017)
Capital under Construction - Completed	-	-	(5 537 148)	(3 617 676)	-	-	(9 154 824)
Other Movements	-	-	5 537 148	3 310 365	307 311	-	9 154 824
- Cost	-	-	5 537 148	3 310 365	307 311	-	9 154 824
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
Based on Cost	-	-	-	-	-	-	-
Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2015	12 514 969	8 679 194	79 295 644	35 096 913	7 752 860	189 235	143 528 816
Cost	12 514 969	11 952 075	107 805 104	39 061 363	16 309 988	544 624	188 188 123
- Completed Assets	12 514 969	11 952 075	79 987 202	24 413 269	16 309 988	544 624	145 722 126
- Under Construction	-	-	27 817 902	14 648 094	-	-	42 465 996
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(811 789)	(167 677)	(92 154)	-	(1 250 910)
Accumulated Depreciation:	-	(3 093 591)	(27 697 670)	(3 796 773)	(8 464 974)	(355 389)	(43 408 397)
- Cost	-	(3 093 591)	(27 697 670)	(3 796 773)	(8 464 974)	(355 389)	(43 408 397)
- Revaluation	-	-	-	-	-	-	-

(485 198.47)

5 217 676.02

376 402.49

(1 964 747.68)

3 144 132.36

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

The prior year amount for *Plant and Equipment* has been adjusted. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 17.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
7 PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
7.2 Assets pledged as security		
The municipality's obligations under Finance Leases (see Note 17) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
7.3 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R0 (2015: R184 017) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Infrastructure: Roads	-	54 567
Community Assets: Sports Facilities	-	70 202
Community Assets: Other Facilities	-	24 069
Other Assets: Computer Equipment	-	261
Other Assets: Emergency Equipment	-	222
Other Assets: Furniture and Fittings	-	569
Other Assets: Motor Vehicles	-	32 505
Other Assets: Office Equipment	-	2
Other Assets: Plant and Equipment	-	1 619
Total Impairment of Property, Plant and Equipment	-	184 017
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The assets have only been partially impaired as they are still in use.		
7.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
There was no change (2014/15: R0) in the estimated useful life of various assets of the municipality for the financial year.		
7.5 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
7.6 Work-in-Progress		
The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
Buildings	-	485 198
Infrastructure: Roads	4 423 951	27 709 106
Community Assets: Sports Facilities	2 487 677	2 077 789
Community Assets: Other Facilities	229 481	12 193 903
Total Carrying Amounts of Work-in-Progress	7 141 108	42 465 996

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

7.7 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

7.8 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:

Compensation received from insurers	248 055	1 669 918
Carrying value of lost assets	(132)	(39 767)
Surplus / (Deficit) on Compensation received for Lost PPE	<u>247 924</u>	<u>1 630 151</u>

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

4 594

7 748

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2015	7 748	7 748
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(81 934)	(81 934)
Acquisitions:	-	-
Purchased	-	-
Work-in-Progress	-	-
Amortisation:	(3 154)	(3 154)
Purchased	(3 154)	(3 154)
Carrying values at 30 June 2016	4 594	4 594
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(85 088)	(85 088)
	Computer Software	Total
Carrying values at 01 July 2014	11 518	11 518
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(78 164)	(78 164)
Acquisitions:	-	-
Purchased	-	-
Work-in-Progress	-	-
Amortisation:	(3 770)	(3 770)
Purchased	(3 770)	(3 770)
Carrying values at 30 June 2015	7 748	7 748
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(81 934)	(81 934)

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

8.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

8.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

8.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

9 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

4 114 852

4 114 852

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

4 114 852

4 114 852

Cost

4 114 852

4 114 852

Accumulated Depreciation

-

-

Acquisitions during the Year

-

-

Depreciation during the Year

-

-

Carrying values at 30 June

4 114 852

4 114 852

Cost

4 114 852

4 114 852

Accumulated Depreciation

-

-

Estimated Fair Value of Investment Property at 30 June

7 280 000

7 280 000

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	5 575 422	4 913 790
Direct Operating Expenses - incurred to generate rental revenue	3 819 809	3 651 134
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

9.3 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

9.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

10 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	<u><u>60 880</u></u>	<u><u>60 880</u></u>
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The movement in Heritage Assets is reconciled as follows:

	Cultural Buildings	Municipal Jewellery	Total
Carrying values at 01 July 2015	57 880	3 000	60 880
Cost	57 880	3 000	60 880
Accumulated Impairment	-	-	-
Acquisitions	-	-	-
Impairment Losses Recognised	-	-	-
Disposals:	-	-	-
At Cost	-	-	-
At Accumulated Impairment	-	-	-
Carrying values at 30 June 2016	57 880	3 000	60 880
Cost	57 880	3 000	60 880
Accumulated Impairment Losses	-	-	-

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R	
	Cultural Buildings	Municipal Jewellery	Total
Carrying values at 01 July 2014	57 880	70 200	128 080
Cost	57 880	70 200	128 080
Accumulated Impairment	-	-	-
Acquisitions	-	-	-
Impairment Losses Recognised	-	-	-
Disposals:	-	(67 200)	(67 200)
At Cost	-	(67 200)	(67 200)
At Accumulated Impairment	-	-	-
Carrying values at 30 June 2015	57 880	3 000	60 880
Cost	57 880	3 000	60 880
Accumulated Impairment Losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

10.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

10.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

10.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

11 NON-CURRENT INVESTMENTS

Unlisted

Unlisted Shares	266	266
	266	266

Total Investments

All Investments	266	266
Less: Short-term Portion transferred to Current Investments	-	-

Total Non-current Investments

266	266
------------	------------

Council's valuation of Unlisted Investments

Unlisted Shares	266	266
	266	266

Unlisted Investments comprise the following:

(i) Unlisted Shares are investments in shares of NCT Forestry Co-operative Limited with no specific maturity dates or interest rates.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
12 PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	121 872	115 260
Current Portion of Long-term Service Liability (See Note 18)	54 709	157 156
Current Portion of Non-Current Provisions (See Note 19):	-	-
Rehabilitation of Land-fill Sites	-	-
Total Provisions	176 581	272 416

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2016		
Balance at beginning of year	157 156	115 260
Transfer from non-current	54 709	121 872
Expenditure incurred	(157 156)	(115 260)
Balance at end of year	54 709	121 872

	Long-term Service R	Post-retirement R
30 June 2015		
Balance at beginning of year	72 225	135 456
Transfer from non-current	157 156	115 260
Expenditure incurred	(72 225)	(135 456)
Balance at end of year	157 156	115 260

	2016 R	2015 R
13 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	4 929 949	841 700
Retentions	733 716	2 043 029
Other Creditors	4 295 938	5 259 393
Total Payables	9 959 604	8 144 122

The average credit period on purchases is 50 (2015: 30) days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments received in Advance	716 759	238 333
Staff Leave Accrued	2 877 101	2 318 222
Sundry Deposits	28 075	16 098
Suspense Accounts	20 718	202 600
Total Payables	3 642 652	2 775 254

The prior year amount for *Payables from Non-exchange Transactions* has been adjusted. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government

	7 803 357	7 416 519
National Government Grants	4 202 932	4 583 887
Provincial Government Grants	3 552 604	2 832 631
Local Government Grants	47 820	(0)
Total Conditional Grants and Receipts	7 803 357	7 416 519

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

16 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	332 120	296 176
Operating Lease expenses recorded	44 259	44 259
Operating Lease payments effected	(9 146)	(8 315)
Total Operating Lease Liabilities	367 234	332 120

16.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 40 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

16.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Land:	1 342 531	1 386 790
Up to 1 year	44 259	44 259
2 to 5 years	177 037	177 037
More than 5 years	1 121 234	1 165 494
Total Operating Lease Arrangements	1 342 531	1 386 790

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	9 146	8 315
Total Operating Lease Expenses	9 146	8 315

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Land

The following restrictions have been imposed on the municipality in terms of the lease agreements on

- (i) The land shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the land.
- (iii) The land shall be returned in good order and condition to the lessor upon termination of the agreement.

17 LONG-TERM LIABILITIES

Finance Lease Liabilities	112 133	162 621
Sub-total	112 133	162 621
Less: Current Portion transferred to Current Liabilities:-	65 686	65 686
Finance Lease Liabilities	65 686	65 686
Total Long-term Liabilities (Neither past due, nor impaired)	46 447	96 935

The prior year amounts for *Long-term Liabilities* have been adjusted. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

17.1 Summary of Arrangements

Finance Lease Liabilities relates to Office Equipment with lease terms of 16 months (2015: 28 months). The effective interest rate on Finance Leases is 48,13% (2015: 42,48%). Capitalised Lease Liabilities are secured over the items of equipment leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2015: 3 year3). The effective interest rate on Finance Leases is 48,13% (2015: 42,48%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016	2015	2016	2015
	R	R	R	R
Amounts payable under finance leases:				
Within one year	114 557	114 557	114 557	114 557
In the second to fifth years, inclusive	38 186	152 742	38 186	152 742
Over five years	-	-	-	-
	<u>152 742</u>	<u>267 299</u>	<u>152 742</u>	<u>267 299</u>
Less: Future Finance Obligations	40 609	104 678	40 609	104 678
Present Value of Minimum Lease Obligations	<u>112 133</u>	<u>162 621</u>	<u>112 133</u>	<u>162 621</u>
Less: Amounts due for settlement within 12 months (Current Portion)			65 686	65 686
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>46 447</u>	<u>96 935</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

(i) Ericson Switchboard and Photocopiers	R 152 742	R 267 299
- Instalments are payable quarterly in advance		
- Average period outstanding	16 months	28 months
- Average effective interest rate	48.13%	42.48%
- Average monthly instalment	R 1 909.28	R 1 866.15

18 EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	8 863 414	7 713 311
Long Service Awards Liability	1 626 815	1 380 363
Total Employee Benefit Liabilities	<u>10 490 229</u>	<u>9 093 674</u>

18.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	7 713 311	6 812 053
Contributions to Provision	1 271 975	1 016 518
Balance at end of Year	<u>8 985 286</u>	<u>7 828 571</u>
Transfer to Current Provisions	(121 872)	(115 260)
Total Post-retirement Health Care Benefits Liability	<u>8 863 414</u>	<u>7 713 311</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	67	55
In-service Non-members (Employees)	70	71
Continuation Members (Retirees, widowers and orphans)	5	5
Total Members	142	131
The liability in respect of past service has been estimated as follows:		
In-service Members	4 071 451	3 409 577
In-service Non-members	2 585 610	2 226 873
Continuation Members	2 328 225	2 192 121
Total Liability	8 985 286	7 828 571
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Keyhealth		
- LA Health		
- Samwumed		
The Current-service Cost for the year ending 30 June 2016 is estimated to be R675 096, whereas the cost for the ensuing year is estimated to be R654 706 (30 June 2015: R677 383 and R675 096 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.60%	9.10%
Health Care Cost Inflation Rate	8.62%	8.18%
Net Effective Discount Rate	0.90%	0.85%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	7 828 571	6 947 509
Current service costs	675 096	677 383
Interest cost	707 115	644 529
Benefits paid	(115 260)	(135 456)
Actuarial losses / (gains)	(110 236)	(305 394)
Total Recognised Benefit Liability	8 985 286	7 828 571
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	8 985 286	7 828 571
Unfunded Accrued Liability	8 985 286	7 828 571
Total Benefit Liability	8 985 286	7 828 571
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	675 096	677 383
Interest cost	707 115	644 529
Actuarial losses / (gains)	(110 236)	(305 394)
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	1 271 975	1 016 518

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
The history of experienced adjustments is as follows:		
	2016	2015
	R	R
Present Value of Defined Benefit Obligation	8 985 286	7 828 571
	6 947 509	6 972 566
	6 972 566	5 297 351
Deficit	8 985 286	7 828 571
	6 947 509	6 972 566
	6 972 566	5 297 351
Experienced adjustments on Plan Liabilities	(7 120)	(278 086)
	(454 357)	(912 495)
	(912 495)	-

	2016	2015
	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	371 300	350 142
Effect on the defined benefit obligation	2 016 210	1 792 744
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(277 300)	(261 979)
Effect on the defined benefit obligation	(1 549 734)	(1 373 572)

The municipality expects to make a contribution of R1 711 653 (2015: R1 321 912) to the Defined Benefit Plans during the next financial year.

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

18.2 Long Service Awards Liability

Balance at beginning of year	1 380 363	1 246 768
Contributions to provision	301 161	290 751
Balance at end of Year	1 681 524	1 537 519
Transfer to Current Provisions	(54 709)	(157 156)
Total Long Service Awards Liability	1 626 815	1 380 363

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 137 (2015: 126) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2016 is estimated to be R218 467, whereas the cost for the ensuing year is estimated to be R249 610 (30 June 2015: R187 084 and R218 467 respectively).

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.85%	8.24%
Cost Inflation Rate	7.47%	7.23%
Net Effective Discount Rate	1.28%	0.94%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1 537 519	1 318 993
Current service costs	218 467	187 084
Interest cost	120 342	108 085
Benefits paid	(157 156)	(72 225)
Actuarial losses / (gains)	(37 648)	(4 418)

Total Recognised Benefit Liability	1 681 524	1 537 519
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 681 524	1 537 519
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Unfunded Accrued Liability	1 681 524	1 537 519
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Total Benefit Liability	1 681 524	1 537 519
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	218 467	187 084
Interest cost	120 342	108 085
Actuarial losses / (gains)	(37 648)	(4 418)
Adjustment for Short-term Portion from Previous Year	-	-

Total Post-retirement Benefit included in Employee Related Costs (Note 30)	301 161	290 751
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The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	1 681 524	1 537 519	1 318 993	1 138 669	772 361
Deficit	1 681 524	1 537 519	1 318 993	1 138 669	772 361

Experienced adjustments on Plan Liabilities	23 217	(10 228)	126 369	(49 158)	-
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2016
R **2015**
R

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	38 800	34 180
Effect on the defined benefit obligation	162 720	148 882

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(33 700)	(29 639)
Effect on the defined benefit obligation	(143 463)	(130 677)

The municipality expects to make a contribution of R395 973 (2015: R295 169) to the defined benefit plans during the next financial year.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
19 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	5 524 675	2 224 176
Total Non-current Provisions	5 524 675	2 224 176
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	2 224 176	2 510 362
Contributions to provision	3 055 885	(286 186)
Increase due to discounting	244 614	-
	5 524 675	2 224 176
Transfer to current provisions	-	-
Balance at end of year	5 524 675	2 224 176

19.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R5 973 800 (2015: R2 669 488) to restore the sites at the end of its useful life, estimated to be in 2020. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

20 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Housing Development Fund	275 199	260 048
Accumulated Surplus / (Deficit) due to the results of Operations	207 687 624	171 325 685
Total Accumulated Surplus	207 962 824	171 585 733

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 42.1 "Correction of Error" for details of the restatements.

- Restatement of expenditure for Collection Cost - Notes 42.3 and 42.4
- Restatement of expenditure for Depreciation - Notes 42.3 and 42.4
- Restatement of expenditure for Impairment Losses - Notes 42.3 and 42.4
- Restatement of expenditure for Repairs and Maintenance - Notes 42.3 and 42.4
- Restatement of expenditure for General Expenses - Notes 42.3 and 42.4
- Restatement of expenditure for Loss on Disposal of Capital Assets - Notes 42.3 and 42.4

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the **Housing Development Fund**. The fund is cash-backed.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
21 PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2016	July 2015		
	R000's	R000's		
Agricultural	1 086 188	1 095 675	1 679 308	1 834 644
Commercial	172 058	140 101	1 837 958	1 750 031
Residential	352 836	356 465	1 817 981	1 833 422
Sectional Title	5 732	5 732	36 653	59 214
State	308 087	317 932	4 247 472	3 943 888
Other	201 887	199 262	1 365 808	746 665
Total Property Rates	2 126 788	2 115 167	10 985 181	10 167 863

21.1 Calculation of Cash Flow:

Property Rates Income	10 985 181	10 167 863
Opening Balance of Debtors: Assessment Rates	8 654 560	6 709 687
Closing Balance of Debtors: Assessment Rates	(10 881 694)	(8 654 560)
Amounts written-off as uncollectable	10 864	(13 587)
Total Receipts for Property Rates	8 768 911	8 209 403

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2012. Extension in terms of the Amended Property Rates Act was obtained until 30 June 2017.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,0068533 c/R (2014/15: 0,0065897 c/R)

Business Properties: 0,0138360 c/R (2014/15: 0,0133038 c/R)

Agricultural Properties: 0,0017610 c/R (2014/15: 0,0016932 c/R)

The first R15 000 (2014/15: R15 000) of the valuation of all properties are exempted from the calculation of rates. Furthermore, a rebate of R35 000 (2014/15: R35 000) is allowed on developed residential property.

Rebates and exemptions are granted to pensioners, non-profitable organisations, sporting bodies, religious bodies, etc in terms of the municipality's Rates Policy.

Rates are levied monthly on property owners and are payable at the end of each month. Property owners can request that the full amount for the year be raised in August in which case the amount has to be paid by 28 February. Interest is levied at a rate determined by council on outstanding rates amounts.

22 FINES

Traffic Fines	355 200	166 250
Other Fines	799	2 300
Total Fines	355 999	168 550

23 LICENCES AND PERMITS

Business Licences	3 421	18 167
Learners Licenses	76 552	287 680
Other Licenses	3 404	19 757
Total Licences and Permits	83 377	325 603

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24 INCOME FROM AGENCY SERVICES		
Commission	18 235	24 024
Motor Licences	535 887	512 507
Other Agency Income	17 445	21 700
Total Income from Agency Services	571 567	558 232
25 GOVERNMENT GRANTS AND SUBSIDIES		
Donated Assets	36 443	349 254
National Equitable Share	49 617 000	38 690 000
Other Subsidies	6 400 173	4 652 596
Operational Grants	56 053 616	43 691 850
Conditional Grants	41 071 325	31 242 765
National: FMG	1 800 000	1 996 790
National: MIG	25 579 270	20 139 135
National: MSIG	930 000	934 000
National: Department Arts and Culture	40 275	111 088
National: Department Human Settlement	441 753	348 445
National: Department Minerals and Energy	10 000 000	-
Provincial: CoGTA	2 130 027	7 563 307
Provincial: Sport and Development	150 000	150 000
Total Government Grants and Subsidies	97 124 941	74 934 616
25.1 Calculation of Cash Flow:		
Government Grants and Subsidies Income	97 124 941	74 934 616
Opening Balance of Unspent Government Grants	(7 416 519)	(17 364 240)
Closing Balance of Unspent Government Grants	7 803 357	7 416 519
Total Receipts for Government Grants and Subsidies	97 511 779	64 986 894
Operational Grants:		
25.2 Donated Assets		
Department Arts and Culture - Electronic Gaming Equipment for Library	36 443	33 689
Khabokedi Waste Management - Computer Equipment, Office, Toilet and Weighbridge at Landfill Site	-	246 825
SIGMA IT - New Server Room	-	68 740
Total Donated Assets from Government	36 443	349 254
Assets, as described above, were donated to the municipality and recognised as Grants and Subsidies Received during the year.		
25.3 National: Equitable Share	49 617 000	38 690 000

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R82,82 (2015: R63,43), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month. No funds have been withheld.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Conditional Grants:		
25.4 National: FMG Grant		
Balance unspent at beginning of year	0	196 790
Current year receipts	1 800 000	1 800 000
Conditions met - transferred to Revenue: Operating Expenses	(1 800 000)	(1 975 790)
Conditions met - transferred to Revenue: Capital Expenses	-	(21 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>0</u></u>	<u><u>0</u></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

25.5 National: MIG Funds

Balance unspent at beginning of year	2 679 641	5 325 776
Current year receipts	25 017 000	17 493 000
Conditions met - transferred to Revenue: Operating Expenses	(633 988)	(574 728)
Conditions met - transferred to Revenue: Capital Expenses	(24 945 282)	(19 564 407)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>2 117 372</u></u>	<u><u>2 679 641</u></u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

25.6 National: MSIG Funds

Balance unspent at beginning of year	(0)	(0)
Current year receipts	930 000	934 000
Conditions met - transferred to Revenue: Operating Expenses	(782 568)	(798 511)
Conditions met - transferred to Revenue: Capital Expenses	(147 432)	(135 489)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>(0)</u></u>	<u><u>(0)</u></u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

25.7 National: Department Arts and Culture

Balance unspent at beginning of year	167 493	152 581
Current year receipts	170 000	126 000
Conditions met - transferred to Revenue: Operating Expenses	(40 275)	(111 088)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>297 218</u></u>	<u><u>167 493</u></u>

This grant was allocated to provide access to modern day technology and information resources; and relevant collections of library materials which meet the needs of the communities. No funds have been withheld.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
25.8 National: Department Human Settlement		
Balance unspent at beginning of year	1 736 753	1 693 607
Current year receipts	441 753	348 445
Interest allocated	51 590	43 146
Conditions met - transferred to Revenue: Operating Expenses	(441 753)	(348 445)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>1 788 343</u></u>	<u><u>1 736 753</u></u>

This grant was allocated for the funding of various housing projects to assist the indigent communities. No funds have been withheld.

25.9 National: Department Minerals and Energy

Balance unspent at beginning of year	0	0
Current year receipts	10 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(10 000 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>0</u></u>

Expenses were incurred for the electrification of households in the community. No funds have been

25.10 Provincial: Department Cooperative Government and Trading Affairs (CoGTA)

Balance unspent at beginning of year	2 682 631	9 995 486
Current year receipts	3 000 000	-
Interest allocated	-	250 452
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2 130 027)	(7 563 307)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>3 552 604</u></u>	<u><u>2 682 631</u></u>

This grant was allocated for the funding of various projects e.g. Retail Market Facility, CBD Stormwater and Street Rehabilitation, Traffic Lights and Drivers' Testing Centre. No funds have been withheld.

25.11 Provincial: Department Sport and Development

Balance unspent at beginning of year	150 000	-
Current year receipts	-	300 000
Conditions met - transferred to Revenue: Operating Expenses	(117 081)	(115 658)
Conditions met - transferred to Revenue: Capital Expenses	(32 919)	(34 342)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>150 000</u></u>

This grant was received for the maintenance of sport fields within the jurisdiction area of the municipality. No funds have been withheld.

25.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2016), government grant funding is expected to increase over the forthcoming three financial years.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
26 SERVICE CHARGES		
Refuse Removal	451 165	425 934
Total Service Charges	451 165	425 934
26.1 Calculation of Cash Flow:		
Service Charges Income	451 165	425 934
Opening Balance of Debtors: Service Charges	731 224	1 447 019
Closing Balance of Debtors: Service Charges	(973 187)	(731 224)
Total Receipts for Service Charges	209 202	1 141 729
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
27 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Amenities	6 000	6 000
Rental Revenue from Buildings	535 127	542 047
Rental Revenue from Halls	46 648	80 093
Rental Revenue from Land	5 575 422	4 913 790
Rental Revenue from Other Facilities	60 660	41 120
Total Rental of Facilities and Equipment	6 223 857	5 583 050
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
28 INTEREST EARNED		
Property Rates:		
Interest / Penalties Raised	1 282 718	1 037 247
	1 282 718	1 037 247
External Investments:		
Bank Account	80 860	117 554
Investments	3 865 093	2 746 382
Other Deposits	-	246 165
	3 945 953	3 110 101
Outstanding Debtors:		
Outstanding Billing Debtors	91 372	103 920
	91 372	103 920
Total Interest Earned	5 320 044	4 251 268
28.1 Calculation of Cash Flow:		
External Interest Income	3 945 953	3 110 101
Total Receipts for Interest Received	3 945 953	3 110 101
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	3 945 953	2 863 936
Held-to-Maturity Investments	-	246 165
Loans and Receivables	1 374 091	1 141 166
	5 320 044	4 251 268

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
29 OTHER REVENUE		
Building Plan Fees	138 336	34 058
Cemetery Fees	71 197	60 100
Insurance Claims	1 461 677	248 055
Pound Fees	1 071	5 528
Prints	6 521	14 474
Refuse Dump Fees	17 633	26 491
Reimbursement of Expenditure	88 174	74 803
SETA Refunds	61 980	55 337
Tender Documents	151 042	43 202
Town Planning Fees	9 873	28 484
Sundry Income	36 643	32 334
Total Other Revenue	2 044 146	622 867

29.1 Calculation of Cash Flow:

Income from Other Revenue	Note 29	2 044 146	622 867
Income from Interest on Outstanding Debtors	Note 28	91 372	103 920
Income from Interest and Penalties on Property Rates	Note 28	1 282 718	1 037 247
Income from Rental of Facilities and Equipment	Note 27	6 223 857	5 583 050
Income from Agency Services	Note 24	571 567	558 232
Income from Licences and Permits	Note 23	83 377	325 603
Income from Fines	Note 22	355 999	168 550
Opening Balance of Debtors: Non-exchange Transactions	Note 4	11 385 604	8 602 128
Opening Balance of Debtors: Assessment Rates	Note 4	(8 654 560)	(6 709 687)
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(28 950 838)	(11 385 604)
Closing Balance of Debtors: Assessment Rates	Note 4	10 881 694	8 654 560
Amounts written-off as uncollectable	Note 4	(142 068)	(103 985)
Opening Balance of VAT Receivable	Note 5	949 460	685 773
Closing Balance of VAT Receivable	Note 5	(3 940 546)	(949 460)
Opening Balance of Current Portion of Long-term Receivables	Note N/A	-	9 768
Closing Balance of Current Portion of Long-term Receivables	Note N/A	-	-
Total Receipts for Other Revenue		(7 818 218)	7 202 961

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

30 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	25 752 497	21 201 458
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4 426 592	3 695 106
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 817 699	1 136 714
Housing Benefits and Allowances	53 302	39 552
Overtime Payments	189 452	60 057
Defined Benefit Plan Expense:	1 323 136	1 307 269
Current Service Cost	1 323 136	1 307 269
Total Employee Related Costs	33 562 677	27 440 156

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
30.1 Calculation of Cash Flow:		
Employee Related Costs Expenditure	33 562 677	27 440 156
Opening Balance of Employee Benefit Liabilities	9 093 674	8 058 821
Closing Balance of Employee Benefit Liabilities	(10 490 229)	(9 093 674)
Opening Balance of Provision for Long-term Service	157 156	72 225
Closing Balance of Provision for Long-term Service	(54 709)	(157 156)
Opening Balance of Post-retirement Benefits	115 260	135 456
Closing Balance of Post-retirement Benefits	(121 872)	(115 260)
Total Payments for Employee Related Costs	32 261 957	26 340 568

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	981 352	603 981
Car and Other Allowances	145 200	417 030
Company Contributions to UIF, Medical and Pension Funds	39 578	32 646
Total	1 166 130	1 053 657

Remuneration of the Chief Financial Officer

Annual Remuneration	831 271	133 170
Car and Other Allowances	127 800	22 001
Company Contributions to UIF, Medical and Pension Funds	10 664	3 663
Total	969 735	158 834

Remuneration of the Strategic Manager: Community Services

Annual Remuneration	701 512	216 383
Car and Other Allowances	177 000	564 796
Company Contributions to UIF, Medical and Pension Funds	97 923	94 332
Total	976 436	875 510

Remuneration of the Strategic Manager: Corporate Services

Annual Remuneration	717 309	277 223
Car and Other Allowances	169 800	523 241
Company Contributions to UIF, Medical and Pension Funds	82 127	77 445
Total	969 236	877 910

Remuneration of the Strategic Manager: Technical Services

Annual Remuneration	703 564	536 882
Car and Other Allowances	275 800	336 761
Company Contributions to UIF, Medical and Pension Funds	1 872	1 866
Total	981 236	875 510

The manager was suspended for the period October 2015 until June 2016 with full remuneration. The outcome is still uncertain.

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	145 450	110 819
Chief Financial Officer	80 040	-
Strategic Manager: Community Services	158 136	157 154
Strategic Manager: Corporate Services	146 104	157 154
Strategic Manager: Technical Services	79 068	19 644
Total	608 798	444 771

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
31 REMUNERATION OF COUNCILLORS		
Mayor	758 012	718 495
Deputy Mayor	335 106	316 138
Speaker	-	184 414
Executive Committee Members	287 987	296 379
Councillors	2 483 807	2 166 277
Other Allowances (Cellular Phones, Housing, Transport, etc)	337 356	331 580
Total Councillors' Remuneration	4 202 268	4 013 283

Remuneration of Councillors:

In-kind Benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. The Councillors occupying the positions of Mayor, Deputy Mayor and Speaker are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard and a full-time driver. The Deputy Mayor, Speaker and Executive Committee Member have one full-time bodyguard/driver.

32 COLLECTION COSTS

Legal Costs	162 680	65 525
Total Collection Costs	162 680	65 525

The prior year amount for *Collection Costs* has been adjusted. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

33 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	9 555 481	8 495 784
Amortisation: Intangible Assets	3 154	3 770
Total Depreciation and Amortisation	9 558 635	8 499 554

The prior year amount for *Depreciation and Amortisation* has been adjusted. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
34 IMPAIRMENT LOSSES		
34.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	-	184 017
Property, Plant and Equipment	-	184 017
Intangible Assets	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	-	184 017
34.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	960 872	1 039 605
Receivables from Exchange Transactions	76 736	91 201
Receivables from Non-exchange Transactions	884 137	948 405
Impairment Losses Reversed:	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	960 872	1 039 605
Total Impairment Losses	960 872	1 223 622

The prior year amount for *Impairment Losses* has been adjusted. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

35 REPAIRS AND MAINTENANCE

Land and Buildings	202 463	142 346
Infrastructure - Road Transport	780 043	1 770 547
Community Assets	-	3 750
Other Assets	892 584	536 032
Specialised Vehicles	50 549	27 051
Total Repairs and Maintenance	1 925 640	2 479 726

The prior year amount for *Repairs and Maintenance* has been adjusted. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

36 FINANCE COSTS

Landfill Provision	389 504	-
Loans and Payables at amortised cost	64 069	46 335
Total Interest Paid on External Borrowings	453 573	46 335
36.1 Calculation of Cash Flow:		
Finance Cost Expenditure	453 573	46 335
Total Payments for Finance Costs	453 573	46 335

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
37 CONTRACTED SERVICES		
Internal Audit	826 141	889 162
Professional Fees	3 201	6 059
Security Services	4 250 131	3 669 395
Valuation Services	237 105	124 000
Other Contracted Services	3 002 285	2 894 888
Total Contracted Services	8 318 864	7 583 504

37.1 Calculation of Cash Flow:

Expenditure for Contracted Services	Note 37	8 318 864	7 583 504
Expenditure for Repairs and Maintenance	Note 35	1 925 640	2 479 726
Opening Balance of Payables: Exchange Transactions	Note 13	8 144 122	5 580 793
Closing Balance of Payables: Exchange Transactions	Note 13	(9 959 604)	(8 144 122)
Opening Balance of Inventories	Note 2	(85 863)	(166 619)
Closing Balance of Inventories	Note 2	1 223	85 863
Total for Suppliers Paid		8 344 381	7 419 145

38 GRANTS AND SUBSIDIES PAID

Community Projects	819 026	515 600
Free Basic Services	1 140 028	766 859
Sport Events	39 662	62 996
Total Grants and Subsidies	1 998 716	1 345 454

Community Projects are in respect of community cultural programs, low cost housing and catering & transport cost within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Sport Events are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
39 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	216 856	173 016
Audit Fees	1 104 819	1 074 689
Bank Charges	105 547	62 847
Branding of the Municipality	117 081	115 658
Bursaries	63 121	70 242
Chemicals and Poison	58 987	13 373
Cleaning Material	136 856	161 942
Disaster Expenditure	93 939	43 265
Electricity	1 112 361	1 086 222
Entertainment	130 433	84 600
Expenditure incurred from Grants:		
- DME	10 000 000	2 804 533
- EPWP	1 046 000	1 255 000
- FMG	1 800 000	1 975 790
- Library	40 275	111 088
- MSIG	782 568	798 511
- Transport	89 993	83 596
Fuel and Oil	1 423 061	1 538 081
Hiring of Equipment	-	5 315
IDP Review	16 569	-
Insurance	645 418	609 025
Lease Charges	485 589	239 065
Legal Costs	359 402	227 746
Levies: SALGA	500 000	500 000
Licences Paid	1 489	340
Marketing	49 248	44 337
Mayoral Special Programmes	18 156	-
Medical Examinations	34 767	775
Performance Evaluation Committee	104 312	70 219
PMU Unit Operating Expenses	632 063	570 931
Postage and Telegrams	75 313	69 184
Printing and Stationery	293 766	197 420
Seminars and Conferences	86 352	81 341
Telephone Cost	573 574	457 973
Tourism Strategy	5 521	47 070
Training Costs	159 896	162 897
Travelling and Subsistence	848 399	751 019
Uniforms and Protective Clothing	383 553	278 053
Vehicle Licences	83 218	64 401
Ward Committee Management	459 900	352 500
Water	96 334	2 780
Other General Expenses	1 404 389	1 202 273
Total General Expenses	25 639 127	17 387 115

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
39.1 Calculation of Cash Flow:			
Expenditure for General Expenses	Note 39	25 639 127	17 387 115
Expenditure for Grants and Subsidies Paid	Note 38	1 998 716	1 345 454
Expenditure for Collection Costs	Note 32	162 680	65 525
Opening Balance of Payables: Non-exchange Transactions	Note 14	2 775 254	2 399 906
Closing Balance of Payables: Non-exchange Transactions	Note 14	(3 642 652)	(2 775 254)
Opening Balance of Operating Lease Liabilities	Note 16	332 120	296 176
Opening Balance of Operating Lease Liabilities	Note 16	(367 234)	(332 120)
Opening Balance of Non-current Provisions	Note 19	2 224 176	2 510 362
Closing Balance of Non-current Provisions	Note 19	(5 524 675)	(2 224 176)
Total for Other Payments		23 597 513	18 672 988

The prior year amount for *General Expenses* has been adjusted. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

39.2 Material Losses

	-	123 980
Fire Damages	-	123 980

39.3 Fire Damage

On the 17th of November 2014 a part of the municipal offices, office of the Municipal Manager and part of the Memorial Hall, was burnt down. The South African Police Services conducted investigations into the matter and the case has been closed subsequently. The Insurance Company has completed their assessment and settlement has been effected.

No other extra-ordinary expenses were incurred.

40 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Proceeds on Sale of Assets	(0)	(20 160)
Assets Disposed at Carrying Value	(132)	(87 125)
Total Gains / Losses on Disposal of Capital Assets	(132)	(107 285)

The prior year amount for *Gains/Losses on Disposal of Capital Assets* has been adjusted. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

41 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2015/16 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

41.1 GRAP 105 - Transfers between Entities under common control

The Accounting Standard for *Transfers between Entities under common control* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2016 in terms of GRAP 105.

The municipality has developed Accounting Policies to fully comply with GRAP 105 (*Transfers between Entities under common control*). No transfers in terms of GRAP 105 occurred during the reporting period and there is no need for restatement of prior year figures.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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41.2 GRAP 106 - Transfers between Entities not under common control

The Accounting Standard for *Transfers between Entities not under common control* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2016 in terms of GRAP 106.

The municipality has developed Accounting Policies to fully comply with GRAP 106 (*Transfers between Entities not under common control*). No transfers in terms of GRAP 106 occurred during the reporting period and there is no need for restatement of prior year figures.

41.3 GRAP 107 - Mergers

The Accounting Standard for *Mergers* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2016 in terms of GRAP 107.

The municipality has developed Accounting Policies to fully comply with GRAP 107 (*Mergers*). No mergers in terms of GRAP 107 occurred during the reporting period and there is no need for restatement of prior year figures.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2015 and the Accumulated Surplus of prior years was not affected either.

42 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

42.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2014		140 770 957
Correction of Error:-		
Restate Property, Plant & Equipment for New Assets identified - Note 42.4	6 000 000	
Restate Property, Plant & Equipment for Old Assets removed - Note 42.4	(1 891 087)	
Restate Property, Plant & Equipment for Old WIP Assets removed - Note 42.4	(148 318)	
Restate Payables from Non-exchange Transaction for Valuation Appeal Fees - Note 42.4	<u>7 760</u>	3 968 354
Restated Balances as at 30 June 2014		<u>144 739 311</u>
Transactions incurred for the Year 2014/15		27 063 450
Correction of Error:-		
Restate Receivables and Expenditure for Debt Impairment - Notes 42.3 and 42.4	744 689	
Restate Receivables and Expenditure for Repairs & Maintenance - Notes 42.3 and 42.4	65 521	
Restate Property, Plant & Equipment for New Assets identified - Notes 42.3 and 42.4	(1 000 000)	
Restate Property, Plant & Equipment for Old Assets removed - Notes 42.3 and 42.4	73 246	
Restate Property, Plant & Equipment for Assets disposed - Notes 42.3 and 42.4	(38 026)	
Restate Payables from Non-exchange Transactions for Collection Costs - Notes 42.3 and 42.4	(60 868)	
Restate Payables from Non-exchange Transactions for Fuel & Oil Expenses - Notes 42.3 and 42.4	(33 617)	
Restate Payables from Non-exchange Transactions for Vehicle Rentals - Notes 42.3 and 42.4	(7 093)	
Restate Long-term Liabilities for Lease Charges - Notes 42.3 and 42.4	(7 921)	
Restate Long-term Liabilities for Lease Written-off - Notes 42.3 and 42.4	<u>47 040</u>	(217 028)
Restated Balances as at 30 June 2015		<u><u>171 585 733</u></u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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42.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2014/15 Revenue	Current Year 2014/15 Revenue	Restated Amount
Property Rates	10 167 863	10 167 863	-
Property Rates - Penalties imposed and collection charges	1 037 247	1 037 247	-
Fines	168 550	168 550	-
Licences and Permits	325 603	325 603	-
Income for Agency Services	558 232	558 232	-
Government Grants and Subsidies Received	74 934 616	74 934 616	-
Service Charges	425 934	425 934	-
Rental of Facilities and Equipment	5 583 050	5 583 050	-
Interest Earned - External Investments	3 110 101	3 110 101	-
Interest Earned - Outstanding Debtors	103 920	103 920	-
Other Income	622 867	622 867	-
	97 037 982	97 037 982	-

42.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2014/15 Expenditure	Current Year 2014/15 Expenditure	Restated Amount
Employee Related Costs	27 440 156	27 440 156	-
Remuneration of Councillors	4 013 283	4 013 283	-
Collection Costs	4 657	65 525	(60 868)
Depreciation and Amortisation	7 582 132	8 499 554	(917 423)
Impairment Losses	1 968 311	1 223 622	744 689
Repairs and Maintenance	2 545 247	2 479 726	65 521
Finance Costs	49 968	46 335	3 632
Contracted Services	7 583 504	7 583 504	-
Grants and Subsidies Paid	1 345 454	1 345 454	-
General Expenses	17 334 852	17 387 115	(52 263)
Loss on Disposal of Property, Plant and Equipment	106 967	107 285	(317)
Surplus / (Deficit) for the Year	27 063 450	26 846 422	217 028
	97 037 982	97 037 982	0

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Collection Costs	Depreciation & Amortisation	Impairment Losses
Balance previously reported	4 657	7 582 132	1 968 311
Adjustment for Collection Costs Paid	60 868		
Adjustment for Capital Assets Recognised		1 000 000	
Adjustment for Capital Assets Removed		(82 577)	
Adjustment for Impairment on Receivables calculated in error			(744 689)
Restated Balance now reported	65 525	8 499 554	1 223 622

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
	Repairs & Maintenance	Finance Costs	General Expenses	Losses on Disposals
Balance previously reported	2 545 247	49 968	17 334 852	106 967
Adjustment for Recovery of Prior Year Expenditure overpaid	(65 521)			
Adjustment for Finance Lease Expenditure incurred		(3 632)	11 553	
Adjustment for Fuel and Oil Expenditure incurred			33 617	
Adjustment for Vehicle Rentals incurred			7 093	
Adjustment for Disposal of Assets incurred				317
Restated Balance now reported	2 479 726	46 335	17 387 115	107 285

Collection Costs:

The **prior year amounts** for *Collection Costs* and Payables from Non-exchange Transactions have been restated to correctly disclose the expenditure for the collection of outstanding debt, previously not recognised.

Depreciation and Amortisation:

The **prior year amounts** for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for assets in terms of the revised Asset Register compiled.

Impairment Losses:

The **prior year amounts** for *Impairment Losses*, Receivables from Exchange Transactions and Receivables from Non-exchange Transactions have been restated to correctly disclose the Expenditure for Impairment of Receivables, previously calculated in error.

Repairs and Maintenance:

The **prior year amounts** for *Repairs & Maintenance* and Receivables from Non-exchange Transactions have been restated to correctly disclose maintenance expenditure, the vendor previously being over-paid.

Finance Costs:

The **prior year amounts** for *Finance Costs*, General Expenses and Long-term Liabilities have been restated to correctly disclose the expenditure for Lease Interest, leased property already lost in prior year and lease payments continued.

General Expenses:

The **prior year amounts** for *General Expenses*, Finance Costs and Long-term Liabilities have been restated to correctly disclose the expenditure for Lease Charges, leased property already lost in prior year and lease payments continued.

Furthermore, the **prior year amounts** for *General Expenses* and Payables from Non-exchange Transactions have been restated to correctly disclose the expenditure for Fuel & Oil, previously not accounted for.

Furthermore, the **prior year amounts** for *General Expenses* and Payables from Non-exchange Transactions have been restated to correctly disclose the expenditure for Rental of Vehicles, previously not accounted for.

Loss on Disposal of Property, Plant and Equipment:

The **prior year amounts** for *Loss on Disposal of Property, Plant & Equipment* and Long-term Liabilities have been restated to correctly disclose the Loss on Disposal of Assets, leased property lost in prior year not previously accounted for.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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42.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2014/15 Balance	Current Year 2014/15 Balance	Restated Amount
Current Assets			
Inventories	85 863	85 863	-
Receivables from Exchange Transactions	294 522	364 775	(70 253)
Receivables from Non-exchange Transactions	5 090 744	5 830 803	(740 059)
VAT Receivable	949 460	949 460	-
Cash and Cash Equivalents	47 063 172	47 063 172	-
Non-Current Assets			
Property, Plant and Equipment	140 533 001	143 528 816	(2 995 814)
Intangible Assets	7 748	7 748	-
Investment Property	4 114 852	4 114 852	-
Heritage Assets	60 880	60 880	-
Non-current Investments	266	266	-
Current Liabilities			
Provisions	(272 416)	(272 416)	-
Payables from Exchange Transactions	(8 144 122)	(8 144 122)	-
Payables from Non-exchange Transactions	(2 681 333)	(2 775 254)	93 921
Unspent Conditional Grants and Receipts	(7 416 519)	(7 416 519)	-
Operating Lease Liabilities	(332 120)	(332 120)	-
Current Portion of Long-term Liabilities	(65 686)	(65 686)	-
Non-Current Liabilities			
Long-term Liabilities	(136 054)	(96 935)	(39 119)
Retirement Benefit Liabilities	(9 093 674)	(9 093 674)	-
Non-current Provisions	(2 224 176)	(2 224 176)	-
Net Assets			
Accumulated Surplus / (Deficit)	(167 834 407)	(171 585 733)	3 751 326
	-	-	(0)

Opening balances and prior year amounts of items in the **Statement of Financial Position** have been restated as indicated below:

	Receivables: Exchange	Receivables: Non-exchange	Property, Plant & Equipment
Balances previously published per AFS as at 30 June 2014	1 171 771	3 878 159	121 376 530
Adjustment of Capital Assets Recognised			6 000 000
Adjustment of Capital Assets Removed			(1 891 087)
Adjustment of WIP Assets Removed			(148 318)
Balances now published per AFS as at 30 June 2014	1 171 771	3 878 159	125 337 124
Transactions incurred for the Year 2014/15	(877 249)	1 212 585	19 156 471
Adjustment for Impairment on Receivables calculated in error	70 253	674 436	
Adjustment for R/D Cheques on Property Rates		102	
Adjustment for Recovery of Prior Year Expenditure overpaid		65 521	
Adjustment of Capital Assets Recognised			(1 000 000)
Adjustment of Capital Assets Removed			73 246
Adjustment of Capital Assets Disposed			(38 026)
Balances now published per AFS as at 30 June 2015	364 775	5 830 803	143 528 816

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
	Payables: Non-exchange	Long-term Liabilities
Balances previously published per AFS as at 30 June 2014		
	(2 407 665)	(0)
Adjustment of Valuation Appeal Fees	7 760	
Balances now published per AFS as at 30 June 2014	(2 399 906)	(0)
Transactions incurred for the Year 2014/15	(273 668)	(136 054)
Adjustment for R/D Cheques on Property Rates	(102)	
Adjustment for Collection Costs Paid	(60 868)	
Adjustment for Fuel and Oil Expenditure incurred	(33 617)	
Adjustment for Vehicle Rentals incurred	(7 093)	
Adjustment for Finance Lease Expenditure incurred		(7 921)
Adjustment for Finance Lease Written-off		47 040
Balances now published per AFS as at 30 June 2015	(2 775 254)	(96 935)

Receivables from Exchange Transactions:

The **prior year amounts** for *Receivables from Exchange Transactions* and Debt Impairment have been restated to correctly disclose the Provision for Impairment on Receivables, previously calculated in error.

Receivables from Non-exchange Transactions:

The **prior year amounts** for *Receivables from Non-exchange Transactions* and Debt Impairment have been restated to correctly disclose the Provision for Impairment on Receivables, previously calculated in error.

Furthermore, the **prior year amounts** for *Receivables from Non-exchange Transactions* and Repairs & Maintenance have been restated to correctly disclose maintenance expenditure, the vendor previously being over-paid.

Furthermore, the **prior year amounts** for *Receivables from Non-exchange Transactions* and Payables from Non-exchange Transactions have been restated to correctly disclose receivables, payment received subsequently referred to drawer.

Property, Plant and Equipment:

The **opening balances** of *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the carrying value of Capital Assets, previously not recognised.

Furthermore, the **opening balances** of *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the carrying value of Capital Assets, previously not removed on disposal.

The **prior year amounts** for *Property, Plant & Equipment* and Depreciation & Amortisation have been restated to correctly disclose the depreciation for Assets previously not recognised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Depreciation & Amortisation have been restated to correctly disclose the depreciation for Assets previously not removed on disposal.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Loss on Disposal of Assets have been restated to correctly disclose the disposal of Assets lost in fire, previously not recognised.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Payables from Non-exchange Transactions:

The **opening balances** of *Payables from Non-exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the liability for Payables, valuation appeal fees previously accounted for as deposits.

The **prior year amounts** for *Payables from Non-exchange Transactions* and Receivables from Non-exchange Transactions have been restated to correctly disclose payables, payment received subsequently referred to drawer.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions* and Collection Costs have been restated to correctly disclose the payables for the collection of outstanding debt, previously not recognised.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions* and General Expenses have been restated to correctly disclose the payables for Fuel & Oil, previously not accounted for.

Furthermore, the **prior year amounts** for *Payables from Non-exchange Transactions* and General Expenses have been restated to correctly disclose the payables for Rental of Vehicles, previously not accounted for.

Long-term Liabilities:

The **prior year amounts** for *Long-term Liabilities* and Loss on Disposal of Property, Plant & Equipment have been restated to correctly disclose Lease Liabilities, leased property lost in prior year not previously accounted for.

43 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	36 377 091	26 846 422
Adjustment for:		
Depreciation and Amortisation	9 558 635	8 499 554
Impairment Losses on Property, Plant and Equipment	-	184 017
Losses / (Gains) on Disposal of Capital Assets	132	107 285
Contribution to Post-retirement Health Care Benefits	1 271 975	1 016 518
Expenditure incurred from Post-retirement Health Care Benefits	(115 260)	(135 456)
Contribution to Long Service Awards Liability	301 161	290 751
Expenditure incurred from Long Service Awards Liability	(157 156)	(72 225)
Contribution to Provisions - Non-current	3 055 885	(286 186)
Increase due to discounting of Provisions - Non-current	244 614	-
Contribution to Impairment Provision	960 872	1 039 605
Bad Debts Written-off	(131 204)	(117 572)
Operating surplus before working capital changes	51 366 745	37 372 713
Decrease/(Increase) in Inventories	84 640	80 756
Decrease/(Increase) in Receivables from Exchange Transactions	(241 963)	715 795
Decrease/(Increase) in Receivables from Non-exchange Transactions	(17 565 233)	(2 783 476)
Decrease/(Increase) in VAT Receivable	(2 991 087)	(263 687)
Decrease/(Increase) in Current Portion of Long-term Receivables	-	9 768
Increase/(Decrease) in Payables from Exchange Transactions	1 815 482	2 563 329
Increase/(Decrease) in Payables from Non-exchange Transactions	867 398	375 348
Increase/(Decrease) in Conditional Grants and Receipts	386 838	(9 947 722)
Increase/(Decrease) in Operating Lease Liabilities	35 113	35 945
Cash generated by / (utilised in) Operations	33 757 935	28 158 769

44 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2015/16 financial year.

45 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 17)	112 133	162 621
Used to finance Property, Plant and Equipment - at cost	(112 133)	(162 621)
Sub-total	<u>-</u>	<u>-</u>
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6 and 11)	-	-
Cash invested for Repayment of Long-term Liabilities	<u><u>-</u></u>	<u><u>-</u></u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	917 176	168 231
Unauthorised Expenditure current year	3 799 296	917 176
Approved by Council or condoned	(917 176)	(168 231)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<u><u>3 799 296</u></u>	<u><u>917 176</u></u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Public Safety - R415 946 (2015: R0)	
- Sport and Recreation - R370 793 (2015: R0)	
- Roads and Transport - R128 463 (2015: R899 500)	
<i>Capital budget exceeded:-</i>	<i>To be condoned by Council</i>
- Corporate Services - R0 (2015: R0)	
- Waste Management - R2 884 094 (2015: R0)	

47.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	64 230	64 230
Fruitless and Wasteful Expenditure current year	87 696	176
Condoned or written off by Council	(64 230)	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 4)	(87 696)	(176)
Fruitless and Wasteful Expenditure awaiting condonement	<u><u>-</u></u>	<u><u>64 230</u></u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Penalties incurred on Late Payments - R0 (2015: R176)</i>	<i>To be recovered from responsible official</i>
<i>Traffic Fines incurred by municipal vehicles - R12 150 (2015: R0)</i>	<i>To be recovered from responsible officials</i>
<i>Vehicle Licence Moneys and Face Value Documents stolen during burglary - R75 546 (2015: R0)</i>	<i>To be recovered from responsible officials</i>

RICHMOND LOCAL MUNICIPALITY
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47.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	245 892	-
Irregular Expenditure current year	-	245 892
Condoned or written off by Council	(245 892)	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>245 892</u>

Incident	Disciplinary Steps / Criminal Proceedings
Irregular award made to Cecil Nurse - R0 (2015: R28 488)	Submitted to Council for condonement.
Irregular award made to Gagashe Industries - R0 (2015: R98 500)	Submitted to Council for condonement.
Irregular award made to Pronel - R0 (2015: R22 800)	Submitted to Council for condonement.
Irregular award made to Protea Hilton Hotel - R0 (2015: R19 634)	Submitted to Council for condonement.
Irregular award made to Summit - R0 (: R76 470)	Submitted to Council for condonement.

48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

48.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	500 000	500 000
Amount Paid - current year	(500 000)	(500 000)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

48.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 104 819	1 074 689
Amount Paid - current year	(1 104 819)	(1 074 689)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

48.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 463 144	4 184 035
Amount Paid - current year	(5 463 144)	(4 184 035)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

48.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	6 736 250	5 689 627
Amount Paid - current year	(6 736 250)	(5 689 627)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

48.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

48.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
<i>Council</i>	<i>Year 2015/16</i>	<i>Quality Service Station</i>	<i>Urgency and short notice</i>	<i>7 966.00</i>
<i>Supply and delivery of 1 400 copies of Ilanga and the Natal Witness for Matric Results for those children who could not afford</i>				
<i>Municipal Manager</i>	<i>Year 2015/16</i>	<i>Richmond Superspar (2 occasions)</i>	<i>Urgency and short notice</i>	<i>14 000.00</i>
<i>2 Occasions during the year procuring Refreshments for Imbizo Meetings</i>				
<i>Budget and Treasury</i>	<i>Year 2015/16</i>	<i>Fujitsu</i>	<i>Urgency and short notice</i>	<i>36 895.93</i>
<i>Procurement of Support System to download Valuation Roll</i>				
<i>Budget and Treasury</i>	<i>Year 2015/16</i>	<i>SAGE VIP</i>	<i>Sole supplier of VIP Payroll System</i>	<i>2 636.27</i>
<i>Procurement of MSCoA Version of VIP</i>				
<i>Community Services</i>	<i>Year 2015/16</i>	<i>Government Printing Works</i>	<i>Sole supplier of Face Value Documents</i>	<i>3 887.58</i>
<i>Procurement of Road Traffic Acts Face Value Documents</i>				
<i>Community Services</i>	<i>Year 2015/16</i>	<i>Key Truck and PMB</i>	<i>Required strip & quote basis</i>	<i>2 240.82</i>
<i>Procurement of 3 Bigen bearings for vehicle, NK 3874</i>				
<i>Community Services</i>	<i>Year 2015/16</i>	<i>Richmond Motors</i>	<i>Required strip & quote basis</i>	<i>25 452.33</i>
<i>Procurement of engine overhaul and repairs to Isuzu Bakkie</i>				
<i>Corporate Services</i>	<i>Year 2015/16</i>	<i>Ayanda Mbanga</i>	<i>Urgency and short notice</i>	<i>5 528.15</i>
<i>Procurement of Services for Advertisements to be appear on Ilanga and The Natal Witness</i>				
<i>Corporate Services</i>	<i>Year 2015/16</i>	<i>Digital Voice Processing</i>	<i>Service required could be done by supplier only</i>	<i>3 895.93</i>
<i>Procurement of Annual Maintenance of Digital Recoder</i>				
<i>Corporate Services</i>	<i>Year 2015/16</i>	<i>Human Communication</i>	<i>Urgency and short notice</i>	<i>3 300.41</i>
<i>Procurement of services for Advertisement of construction of Uganda Road and Telephone System to be appear on The Natal Witness</i>				
<i>Corporate Services</i>	<i>Year 2015/16</i>	<i>Ilanga</i>	<i>Urgency and short notice</i>	<i>10 082.00</i>
<i>Procurement of services for Advertisement of construction of Uganda Road and Telephone System to be appear on Ilanga</i>				
<i>Corporate Services</i>	<i>Year 2015/16</i>	<i>Jobvest</i>	<i>Urgency and short notice</i>	<i>43 132.11</i>
<i>Procurement of services for Advertisement of construction of Uganda Road and Telephone System to be appear on The Natal Witness</i>				
<i>Corporate Services</i>	<i>Year 2015/16</i>	<i>Key Truck and PMB</i>	<i>Required strip & quote basis</i>	<i>26 296.68</i>
<i>Procurement of services to replace clutch on vehicle (Captiva)</i>				

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Department	Date	Successful Tenderer	Reason	Amount
Corporate Services	Year 2015/16	SAGE VIP	Sole supplier of VIP Payroll System	2 878.70
<i>Procurement of services for workshop on the VIP Leave Module for 4 officials</i>				
Corporate Services	Year 2015/16	Sigma IT	Continuation of previous training by same service provider	3 420.00
<i>Procurement of services for Web-based PMS Training</i>				
Corporate Services	Year 2015/16	Standing Ovation	Urgency and short notice	7 410.00
<i>Procurement of serevices of a Motivational Speaker</i>				
Corporate Services	Year 2015/16	Times Group	Urgency and short notice	4 200.00
<i>Procurement of services for Advertisement Mayoral Secretary to appear in The Times</i>				
Corporate Services	Year 2015/16	Unga 7 Trading	Urgency and short notice	51 000.00
<i>Procurement of services to check and repair IT Network Infrastructure and lease of related equipment for the period of three months</i>				
Technical Services	Year 2015/16	Barloworld CAT (4 occasions)	Service to be done by agent only; Required strip & quote basis	57 529.18
<i>4 Occasions, procuring services for service of Excavator, clutch for Ford Tractor, Idler Group and Bucket Rippers</i>				
Technical Services	Year 2015/16	Bell Equipment	Service required could be done by agent only	2 993.41
<i>Procurement of TLB Flag Universal joint and 1410 screw cap 12 point head for NK 6184</i>				
Technical Services	Year 2015/16	DCB Auto Electrical (2 occasions)	Required strip & quote basis	6 155.66
<i>2 Occasions procuring services to repair starter motor of Grader and repairs to Grader</i>				
Technical Services	Year 2015/16	Eco Truck and Spares	Required strip & quote basis	34 407.48
<i>Procurement of repairs to Isuzu FTR 850 Tipper Truck</i>				
Technical Services	Year 2015/16	Kensey Steel	Required strip & quote basis	9 804.00
<i>Procurement of repair of Grader</i>				
Technical Services	Year 2015/16	Key Truck and PMB (3 occasions)	Warranty Services required could be done by agent only	12 729.39
<i>3 Occasions during the financial year procuring services for vehicles NK 4315, NK 5518 and NK 5596</i>				
Technical Services	Year 2015/16	Komatsu (2 occasions)	Required strip & quote basis	28 272.15
<i>Procurement of services to attend to an Electrical Fault and to check, remove and replace Alternator</i>				
Technical Services	Year 2015/16	Mkhondeni Auto Repairs (6 occasions)	Required strip & quote basis	149 735.15
<i>6 Occasions, procuring services to repair and maintenance of Trucks</i>				
Technical Services	Year 2015/16	MKTS (2 occasions)	Urgency and short notice	850 000.00
<i>2 Occasions during the financial year procuring the services of an Electrical Consultant and a Project Manager for an Electrification Project</i>				
Technical Services	Year 2015/16	Power Trans and Services	Required strip & quote basis	16 924.64
<i>Procurement of Filter Kid and Synthetic Oil</i>				

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Department	Date	Successful Tenderer	Reason	Amount
Technical Services	Year 2015/16	Richmond Tyres	Urgency and short notice	17 556.00
Procurement of supply and delivery of 4 New Tyres				
Technical Services	Year 2015/16	Summit Hose (3 occasions)	Required strip & quote basis	21 392.20
3 Occasions during the financial year procuring Hydraulic Pipes and 1,7m FTR 800 for TLB and strip and repair of Hydraulic Cylinder of the Excavator				
Technical Services	Year 2015/16	Zama Traffic Signal (3 occasions)	Required strip & quote basis	25 581.66
3 Occasions during the financial year services for the repair and programming of Robots				

2016
R

2015
R

49 COMMITMENTS FOR EXPENDITURE

49.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community

9 024 803

16 648 655

8 655 216
369 587

15 554 617
1 094 038

- Approved but Not Yet Contracted for:-

Infrastructure
Community

-

-

-

-

-

-

Total Capital Commitments

9 024 803

16 648 655

This expenditure will be financed from:

Government Grants

9 024 803

16 648 655

9 024 803

16 648 655

49.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16 and 17.

49.3 Other Commitments

The municipality has entered into a contract with KSA Security for the provision of security services for the next 3 years, which will give rise to an annual charge of approximately R5,9 million. The contract terminates on 30 June 2019.

The municipality has entered into a contract with Mills Fitchet for the provision of valuation services for the next 6 years, which will give rise to a total charge of R1,7 million. The contract terminates on 30 June 2022.

The municipality has entered into a contract with Vox Telekom for the provision and maintenance of a telephone system for the next 3 years, which will give rise to an approximate charge of R1,1 million. The contract terminates on 30 June 2019.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
50 FINANCIAL INSTRUMENTS			
50.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments			
Unlisted Shares	Amortised cost	266	266
Receivables from Exchange Transactions			
Refuse	Amortised cost	169 729	121 777
Other Receivables	Amortised cost	360 273	242 998
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	4 898 957	3 241 826
Payments made in Advance	Amortised cost	3 144	2 858
Accruals	Amortised cost	666 178	98 104
Sundry Deposits	Amortised cost	27 084	22 984
Sundry Debtors	Amortised cost	17 046 425	2 216 974
Suspense Accounts	Amortised cost	1 314	248 055
Cash and Cash Equivalents			
Call Deposits	Amortised cost	47 266 038	45 796 534
Bank Balances	Amortised cost	466 851	1 263 438
Cash Floats and Advances	Fair value	3 200	3 200
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Unlisted Shares	266	266
Receivables from Exchange Transactions	Refuse	169 729	121 777
Receivables from Exchange Transactions	Other Debtors	360 273	242 998
Receivables from Non-exchange Transactions	Assessment Rates Debtors	4 898 957	3 241 826
Receivables from Non-exchange Transactions	Payments made in Advance	3 144	2 858
Receivables from Non-exchange Transactions	Accruals	666 178	98 104
Receivables from Non-exchange Transactions	Sundry Deposits	27 084	22 984
Receivables from Non-exchange Transactions	Sundry Debtors	17 046 425	2 216 974
Receivables from Non-exchange Transactions	Suspense Accounts	1 314	248 055
Cash and Cash Equivalents	Call Deposits	47 266 038	45 796 534
Cash and Cash Equivalents	Bank Balances	466 851	1 263 438
		<u>70 906 260</u>	<u>53 255 816</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3 200	3 200
		<u>3 200</u>	<u>3 200</u>
Total Financial Assets		<u>70 909 460</u>	<u>53 259 016</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	46 447	96 935
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	4 929 949	841 700
Retentions	Amortised cost	733 716	2 043 029
Other Creditors	Amortised cost	4 295 938	5 259 393
Payables from Non-exchange Transactions			
Staff Leave Accrued	Amortised cost	2 877 101	2 318 222
Sundry Deposits	Amortised cost	28 075	16 098
Suspense Accounts	Amortised cost	20 718	202 600
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	65 686	65 686
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	46 447	96 935
Payables from Exchange Transactions	Trade Creditors	4 929 949	841 700
Payables from Exchange Transactions	Retentions	733 716	2 043 029
Payables from Exchange Transactions	Other Creditors	4 295 938	5 259 393
Payables from Non-exchange Transactions	Staff Leave Accrued	2 877 101	2 318 222
Payables from Non-exchange Transactions	Sundry Deposits	28 075	16 098
Payables from Non-exchange Transactions	Suspense Accounts	20 718	202 600
Current Portion of Long-term Liabilities	Finance Lease Liabilities	65 686	65 686
		12 997 630	10 843 663
Total Financial Liabilities		12 997 630	10 843 663

50.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2016

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 200	-	3 200
Total Financial Assets	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016			2015
	R			R
30 June 2015				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 200	-	3 200
Total Financial Assets	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

	2016	2015
	R	R
The gearing ratio at the year-end was as follows:		
Debt	112 133	162 621
Cash and Cash Equivalents	(47 736 089)	(47 063 172)
Net Debt	<u>(47 623 955)</u>	<u>(46 900 551)</u>
Equity	<u>207 962 824</u>	<u>171 585 733</u>
Net debt to equity ratio	<u>-22.90%</u>	<u>-27.33%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

50.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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50.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 50.8 to the Annual Financial Statements.

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

50.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 50.8 below.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2016 would have increased / decreased by R473 964 (30 June 2015: R463 601). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

50.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Counterparty and Location	30 June 2016		30 June 2015	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
RSA	-	256 500	-	230 650
Capensis Inv 50 (Pty) Ltd	-	258 548	-	230 846
Estate Late AS Suleman	-	262 527	-	250 254
RSA	-	703 513	-	516 308
RSA - Senvontein Prison	-	847 748	-	709 908

2016
R **2015**
R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	266	266
Receivables from Exchange Transactions	973 187	731 224
Receivables from Non-exchange Transactions	28 950 838	11 385 604
Bank, Cash and Cash Equivalents	47 736 089	47 063 172
Maximum Credit and Interest Risk Exposure	77 660 379	59 180 266

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors (Note 3.2):		
- Household	15.91%	28.01%
- Industrial / Commercial	4.88%	11.74%
- National and Provincial Government	7.59%	14.33%
- Other Classes	11.24%	23.39%
Other Debtors (Note 4):		
- Other not Classified	60.38%	22.54%
Total Credit Risk	100.00%	100.00%

Bank and Cash Balances

First National Bank	2 732 889	42 107 415
Nedbank	45 000 000	4 952 556
Cash Equivalents	3 200	3 200
Total Bank and Cash Balances	47 736 089	47 063 172

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	48 259	14 520
Group 2	11 459	1 720
	<u>59 718</u>	<u>16 239</u>
Total Receivables from Exchange Transactions	<u>59 718</u>	<u>16 239</u>
Receivables from Non-exchange Transactions		
Group 1	17 865 401	2 364 982
Group 2	-	-
	<u>17 865 401</u>	<u>2 364 982</u>
Total Receivables from Non-exchange Transactions	<u>17 865 401</u>	<u>2 364 982</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

50 FINANCIAL INSTRUMENTS (Continued)

50.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 48 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2016	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	12 885 497	12 885 497	-	-	-	-
Fixed Interest Rate Instruments		48.13%	112 133	34 444	43 020	34 669	-	-
			12 997 630	12 919 941	43 020	34 669	-	-
30 June 2015								
Non-interest Bearing		0.00%	10 681 042	10 681 042	-	-	-	-
Fixed Interest Rate Instruments		42.48%	162 621	22 672	27 815	112 133	-	-
			10 843 663	10 703 715	27 815	112 133	-	-

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2016	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	23 176 571	23 176 305	-	-	-	266
Variable Interest Rate Instruments		8.33%	47 732 889	47 732 889	-	-	-	-
			70 909 460	70 909 194	-	-	-	266
30 June 2015								
Non-interest Bearing		0.00%	6 199 044	6 189 010	9 768	-	-	266
Variable Interest Rate Instruments		6.18%	47 059 972	47 059 972	-	-	-	-
			53 259 016	53 248 982	9 768	-	-	266

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

50.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

51 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

Councillors have an option to belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2 817 925 (2015: R2 403 846) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015 by ARGEN Actuarial Solutions. The previous interim actuarial valuation was performed as at 31 March 2014.

The statutory actuarial valuation performed as at 31 March 2015 revealed that the fund had a shortfall of R148,7 (Interim 31 March 2014: shortfall of R124,0) million, with a funding level of 96,1% (Interim 31 March 2014: 96,2%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) is expected to eradicate the shortfall in the fund by 31 March 2020. However, the basic contribution payable is 0,13% more (Interim 31 March 2014: 0,50% less) than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17,50% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

Recommendations that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% were implemented with effect from 1 August 2012. This position will be monitored on an annual basis. These surcharges are payable for a period of 8 years after date of implementation.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2015 by ARGEN Actuarial Solutions. The previous statutory actuarial valuation was performed as at 31 March 2014.

The interim actuarial valuation performed as at 31 March 2015 revealed that the fund had a shortfall of R0,0 (31 March 2014: shortfall of R0,0) million, with a funding level of 100,0% (31 March 2014: 100,0%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0,75% (31 March 2013: 0,71%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2013: 9,5%) of pensionable salaries.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

The total rate of contribution from the employer has been increased to 31,13% (18,00% + 3,63% increase in basic rate + 9,50% surcharge) with effect from 1 August 2012 for a period of 8 years. This surcharge is payable until 31 July 2020. This position will be monitored on an annual basis.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 551,9 (30 June 2012: R1 183,5) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

At 30 June the fund showed an excess of R27,7 (2012: deficit R6,4) million before allowing for reserves and was certified to be in a sound financial condition by the actuaries, Moruba Consultants and Actuaries.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015 by ARGENT Actuarial Solutions. The previous interim actuarial valuation was performed as at 31 March 2014.

The statutory actuarial valuation performed as at 31 March 2014 revealed that the market value of the fund was R2 636,0 (Interim 31 March 2014: R2 152,0) million, with a funding level of 107,4% (Interim 31 March 2013: 104,7%). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in financial sound position as at 31 March 2015.

None of the above mentioned plans are State Plans.

52 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

52.1 Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

52.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2016				
Councillors	3 202	1 036	-	-
Municipal Manager and Section 57 Personnel	2 715	518	-	-
Total Services	5 917	1 554	-	-
For the Year ended 30 June 2015				
Councillors	3 078	978	-	-
Municipal Manager and Section 57 Personnel	2 610	489	-	-
Total Services	5 687	1 466	-	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

52.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

52.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 30, 31 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

52.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

2016
R **2015**
R

53 CONTINGENT LIABILITIES

53.1 Guarantees:

12 000 **12 000**

(i) First National Bank:

12 000 12 000

Council provided letters of suretyship to First National Bank to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act. These amounts have been secured against the staff members' pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members' personal files.

53.2 Court Proceedings:

120 000 **700 000**

(i) Claim for Remuneration:

70 000 70 000

Mr Gumede, a former employee of the municipality, is suing the municipality for alleged remuneration owed to him. The municipality has filed its Plea, whilst the plaintiff has filed an exception to that Plea. Normal legal proceedings will start once the plaintiff has set down the exception to be argued in Court. The outcome of the legal proceedings is still unknown and is lying dormant with no further actions.

(ii) Long-term Lease:

- 80 000

Magnificent Four has ceded a long-term lease on property (Erf 261) to Fairvest. The new company would like to register a bond on the property. The municipality is opposing the registration of this or any bond. Subsequently the matter was settled out of court.

(iii) Claim for Land:

- 500 000

The municipality is claiming back a piece of land which was bought by Umona Phagi for the purpose of developing low and middle income housing. Umona Phagi failed to develop the property within the specific period of time agreed upon and the municipality cancelled the agreement and is claiming back the land in terms of the contract entered into. Negotiations to settle out of court have failed and the municipality is compelled to go to Court to seek the appropriate order. The outcome of the matter is still unknown. The Contingent Liability is in respect of expected legal costs to defend the matter. Subsequently, Umona Phangi went into liquidation and the municipality is negotiating an offer to purchase the property back from SARS. No financial exposure is expected since the municipality is probably going to acquire an asset in exchange of an appropriate payment.

(iv) Breach of Contract:

50 000 50 000

The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage. The Contingent Liability is in respect of expected legal costs incurred herein. Also refer to Note 54.1 (i).

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
54 CONTINGENT ASSETS		
54.1 Court Proceedings:	4 000 000	4 000 000
(i) Breach of Contract: The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage. The municipality needs to provide the Attorneys with the documentary proof of the estimated damages to be suffered for purposes of preparing the Damages Affidavit which will support the Application for Default Judgment.	4 000 000	4 000 000
55 IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any In-kind Donations and Assistance during the year under review.		
56 PRIVATE PUBLIC PARTNERSHIPS		
The municipality was not a party to any Private Public Partnerships during the year under review.		
57 EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.		
58 COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Prior Period Errors (Note 42).		
59 GOING CONCERN ASSESSMENT		
Management considered the following matters relating to the Going Concern:		
(i) On 31 May 2016 the Council adopted the 2016/17 to 2018/19 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.		
(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.		
(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.		
(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.		
Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.		

APPENDIX A
RICHMOND LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2016
	R				R	R	R	R
CAPITAL LEASE LIABILITIES								
Konica Minolta	56 324	14.25%		01/10/2017	45 252	-	17 582	27 670
Konica Minolta	34 323	56.60%		01/10/2017	29 342	-	8 226	21 116
Konica Minolta	34 323	56.60%		01/10/2017	29 342	-	8 226	21 116
Konica Minolta	34 323	56.60%		01/10/2017	29 342	-	8 226	21 116
Konica Minolta	34 323	56.60%		01/10/2017	29 342	-	8 226	21 116
Total Capital Lease Liabilities	544 624				162 621	-	50 488	112 133
TOTAL EXTERNAL LOANS	701 024				162 621	-	50 488	112 133

CAPITALISED LEASE LIABILITIES

Structured secured finance leases over office equipment; lease repayments over a period of 3 years at fixed interest rates.

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Land	R	R	R	R	R	R	R	R	R	R	R	R	R
Land: Developed	1 580 638	-	-	-	-	1 580 638	-	-	-	-	-	1 580 638	-
Land: Undeveloped	10 934 331	-	-	-	-	10 934 331	-	-	-	-	-	10 934 331	-
	12 514 969	-	-	-	-	12 514 969	-	-	-	-	-	12 514 969	-
Buildings													
<i>Residential:</i>													
Mobile Homes	7 014	-	-	-	-	7 014	6 339	-	-	-	6 339	674	-
Residences	210 281	-	-	-	-	210 281	124 927	1 300	-	-	126 228	84 053	-
<i>Non Residential:</i>													
Carports	18 850	-	-	-	-	18 850	5 291	15 253	-	-	20 543	(1 693)	-
Office Buildings	7 499 165	61 434	-	289 918	-	7 850 517	2 039 062	193 409	-	-	2 232 471	5 618 046	1 514 098
Perimeter Protection	3 313 435	190 800	-	-	-	3 504 235	840 777	133 659	-	-	974 436	2 529 799	300 000
Workshops and Depots	902 701	-	-	195 280	-	1 097 981	255 855	24 115	-	-	279 969	818 012	-
	11 951 446	252 234	-	485 198	-	12 688 878	3 272 251	367 735	-	-	3 639 987	9 048 891	1 814 098
Infrastructure													
<i>Electricity:</i>													
Cables	4 880	-	-	-	-	4 880	434	-	-	-	434	4 446	-
High Mast Lights	736 968	-	-	-	-	736 968	699 571	3 073	-	-	702 644	34 324	-
Supply and Reticulation	5 530	-	-	-	-	5 530	530	-	-	-	530	5 000	-
<i>Roads and Transport:</i>													
Bridges, Subways and Culverts	2 225 912	-	-	-	-	2 225 912	165 899	83 909	-	-	249 808	1 976 103	7 700 000
Bridges - Expansion	587 592	-	-	-	-	587 592	131 376	-	-	-	131 376	456 216	-
Pedestrian Footpaths	3 598 978	-	494 334	6 741 058	-	10 834 369	534 993	303 302	-	-	838 295	9 996 074	2 423 779
Retaining Walls	-	-	-	-	-	-	-	6 867	-	-	6 867	(6 867)	-
Road Calming Measures	14 179	-	-	-	-	14 179	6 712	488	-	-	7 200	6 979	-
Roads: Asphalt - Basis	11 000 581	-	-	-	-	11 000 581	3 768 897	269 965	-	-	4 038 862	6 961 719	16 266 174
Roads: Asphalt - Surface	2 199 637	-	2 047 523	26 627 751	-	30 874 911	1 600 190	857 176	-	-	2 457 366	28 417 545	-
Roads: Concrete - Basis	3 900 098	-	-	-	-	3 900 098	404 346	54 799	-	-	459 145	3 440 953	-
Roads: Gravel - Surface	30 669 713	-	1 852 094	12 161 026	-	44 682 833	10 029 053	4 046 120	-	-	14 075 173	30 607 660	1 143 628
Roads: Paved - Surface	246 272	-	-	-	-	246 272	21 575	-	-	-	21 575	224 696	-
Roads: Crash Barriers	41 713	-	-	-	-	41 713	1 928	1 061	-	-	2 989	38 724	-
Roads: Kerbs and Channels	1 946 972	-	-	-	-	1 946 972	252 087	15 551	-	-	267 638	1 679 333	-
Stormwater Coastal Structure	2 639 644	-	-	-	-	2 639 644	718 933	-	-	-	718 933	1 920 711	2 647 000
Stormwater Culverts	104 427	-	-	-	-	104 427	5 230	77 296	-	-	82 526	21 901	-
Stormwater Culverts: Concrete	858 469	-	-	-	-	858 469	180 531	-	-	-	180 531	677 939	-
Stormwater Drains: Concrete	1 752 206	-	-	-	-	1 752 206	279 557	20 690	-	-	300 247	1 451 958	-
Stormwater Pipes	1 489 289	-	-	-	-	1 489 289	108 521	37 592	-	-	146 113	1 343 175	-
Street Lighting	173 755	-	30 000	-	-	203 755	30 646	-	-	-	30 646	173 109	400 000
Traffic Islands	19 014	-	-	-	-	19 014	5 272	490	-	-	5 763	13 251	-
Traffic Lights	552 510	-	-	81 140	-	633 649	108 671	5 409	-	-	114 081	519 569	-
Traffic Signs	240 319	-	-	-	-	240 319	93 508	161 903	-	-	255 411	(15 092)	-

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<i>Sanitation:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Landfill Sites	1 447 882	3 170 899	-	-	-	4 618 781	994 998	161 919	-	-	1 156 917	3 461 864	20 000
<i>Water:</i>													
Reservoirs and Tanks	80 032	-	-	-	-	80 032	24 248	-	-	-	24 248	55 784	-
Reticulation	-	-	-	-	-	-	-	13 854	-	-	13 854	(13 854)	-
	66 536 569	3 170 899	4 423 951	45 610 974	-	119 742 393	20 167 707	6 121 465	-	-	26 289 173	93 453 221	30 600 580
Community Assets													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	25 370	-	-	-	-	25 370	10 398	1 250	-	-	11 647	13 723	5 000 000
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	7 829 442	197 600	2 487 677	23 750	-	10 538 468	987 404	82 850	-	-	1 070 254	9 468 215	1 921 300
Stadiums	-	-	-	-	-	-	-	3 698	-	-	3 698	(3 698)	-
<i>Other Facilities:</i>													
Ablutions/Public Conveniences	391 164	42 469	-	-	-	433 633	151 917	239 612	-	-	391 529	42 104	50 000
Cemeteries	4 608	-	-	92 748	-	97 356	3 633	2 518	-	-	6 151	91 205	-
Community Centres	15 258 503	80 689	229 481	-	-	15 568 673	2 556 874	404 620	-	-	2 961 494	12 607 179	580 689
Driver and Vehicle Testing Centres	-	-	-	13 973 919	-	13 973 919	-	232 899	-	-	232 899	13 741 020	2 206 600
Fire Stations	37 367	-	-	-	-	37 367	20 032	1 221	-	-	21 252	16 114	-
Libraries	369 373	-	-	-	-	369 373	124 141	18 732	-	-	142 873	226 500	-
Markets and Shops	-	84 900	-	85 046	-	169 946	-	271 387	-	-	271 387	(101 441)	-
Public Parking	498 373	-	-	-	-	498 373	110 983	-	-	-	110 983	387 390	-
Taxi Ranks	-	-	-	-	-	-	-	119 861	-	-	119 861	(119 861)	-
	24 414 199	405 658	2 717 158	14 175 463	-	41 712 477	3 965 380	1 378 648	-	-	5 344 028	36 368 449	9 758 589
Leased Assets													
Office Equipment	544 624	-	-	-	-	544 624	355 389	60 999	-	-	416 388	128 236	-
	544 624	-	-	-	-	544 624	355 389	60 999	-	-	416 388	128 236	-
Other Assets													
<i>Bins and Containers:</i>													
Collection Containers / Bins	37 404	174 194	-	-	-	211 598	26 372	26 004	-	-	52 376	159 222	285 700
<i>Computer Equipment:</i>													
Computer Hardware	1 829 417	143 728	-	-	-	1 973 145	1 305 780	128 523	-	-	1 434 304	538 841	125 945
Computer Networks	71 014	-	-	-	-	71 014	17 442	38 151	-	-	55 593	15 421	-
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	33 133	27 500	-	-	-	60 633	17 543	8 985	-	-	26 528	34 105	-
Medical and Allied Equipment	82 867	-	-	-	-	82 867	64 439	-	-	-	64 439	18 428	-

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Advertising Boards	-	-	-	-	-	-	-	1 021	-	-	1 021	(1 021)	-
Domestic and Hostel Furniture	-	6 332	-	-	-	6 332	-	5 167	-	-	5 167	1 165	-
Kitchen Appliances	61 569	-	-	-	-	61 569	28 910	-	-	-	28 910	32 659	10 700
Linen and Soft Furnishing	14 646	-	-	-	-	14 646	11 889	676	-	-	12 565	2 081	-
Other Furniture	1 361 388	180 761	-	-	(158)	1 541 991	919 366	100 432	-	(26)	1 019 772	522 220	232 500
<i>Motor Vehicles:</i>													
Cycles	550	-	-	-	-	550	454	-	-	-	454	96	-
Motor Cars	3 214 919	-	-	-	-	3 214 919	1 549 876	246 813	-	-	1 796 690	1 418 230	-
Trailers	510 095	-	-	-	-	510 095	93 646	16 812	-	-	110 458	399 637	-
Trucks and Bakkies	1 535 246	1 188 945	-	-	-	2 724 191	817 204	540 200	-	-	1 357 404	1 366 787	1 247 430
<i>Office Equipment:</i>													
Air Conditioners	419 676	33 246	-	-	-	452 922	324 746	28 223	-	-	352 969	99 953	33 500
Audiovisual Equipment	247 632	86 586	-	-	-	334 218	116 934	17 756	-	-	134 690	199 528	7 000
Other Office Equipment	545 250	1 623	-	-	-	546 873	273 061	21 487	-	-	294 548	252 325	27 300
<i>Plant and Equipment:</i>													
Communication Equipment	-	76 979	-	-	-	76 979	-	12 423	-	-	12 423	64 556	-
Electric Wire and Power Tools	33 066	-	-	-	-	33 066	20 659	-	-	-	20 659	12 407	-
Farm / Agricultural Equipment	470 103	-	-	-	-	470 103	98 459	-	-	-	98 459	371 644	-
Fire Extinguishers	-	-	-	-	-	-	-	545	-	-	545	(545)	-
Gardening Equipment	555 183	120 960	-	-	-	676 143	343 995	70 986	-	-	414 981	261 162	155 000
Metallurgy Equipment	4 147	-	-	-	-	4 147	3 488	-	-	-	3 488	659	-
Pumps and Plumbing Equipment	328 598	-	-	-	-	328 598	13 980	-	-	-	13 980	314 618	-
Radio Equipment	29 241	-	-	-	-	29 241	27 999	2 670	-	-	30 669	(1 428)	-
Security Equipment	9 578	3 157	-	-	-	12 735	9 317	28 136	-	-	37 453	(24 718)	4 000
Security Systems	570 474	17 543	-	-	-	588 017	463 332	2 012	-	-	465 344	122 673	320 000
Speed Control Devices	46 948	-	-	-	-	46 948	20 810	-	-	-	20 810	26 138	-
Sport & Eecreational Equipment	-	-	-	-	-	-	-	177 856	-	-	177 856	(177 856)	-
Survey Equipment	2 126	-	-	-	-	2 126	919	-	-	-	919	1 207	-
Telecommunication Equipment	15 032	-	-	-	-	15 032	9 124	120	-	-	9 244	5 788	89 500
Tents, Flags and Accessories	16 490	-	-	-	-	16 490	15 166	260	-	-	15 426	1 064	-
Woodworking Machinery/Equipme	1 263	-	-	-	-	1 263	1 097	-	-	-	1 097	165	-
Workshop Equipment	83 520	15 500	-	-	-	99 020	66 178	19 614	-	-	85 792	13 228	166 975
Workshop Tools	12 765	8 048	-	-	-	20 813	6 388	3 833	-	-	10 221	10 592	23 000
<i>Specialised Vehicles:</i>													
Refuse Collection Vehicles	1 325 475	-	-	-	-	1 325 475	282 127	113 660	-	-	395 786	929 689	-
Road Construction Machinery	4 574 940	2 173 890	-	-	-	6 748 830	1 375 446	14 270	-	-	1 389 716	5 359 113	2 744 000
	18 043 756	4 258 991	-	-	(158)	22 302 589	8 326 148	1 626 634	-	(26)	9 952 756	12 349 833	5 472 550
Total	134 005 563	8 087 782	7 141 108	60 271 635	(158)	209 505 931	36 086 876	9 555 481	-	(26)	45 642 331	163 863 600	47 645 817
						0.00					0.00	0.00	

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Afforestation	4 114 852	-	-	-	-	4 114 852	-	-	-	-	-	4 114 852	-
	4 114 852	-	-	-	-	4 114 852	-	-	-	-	-	4 114 852	-
						0.00							

RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	89 682	-	-	-	-	89 682	81 934	3 154	-	-	85 088	4 594	-
	89 682	-	-	-	-	89 682	81 934	3 154	-	-	85 088	4 594	-
						0.00							

RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 41821
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	57 880	-	-	-	-	57 880	-	-	-	-	-	57 880	-
Municipal Jewelry	3 000	-	-	-	-	3 000	-	-	-	-	-	3 000	-
	60 880	-	-	-	-	60 880	-	-	-	-	-	60 880	-
						0.00							
Total Asset Register	138 270 978	8 087 782	7 141 108	60 271 635	(158)	213 771 346	36 168 810	9 558 635	-	(26)	45 727 419	168 043 926	47 645 817

APPENDIX C
RICHMOND LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	894 257	293 244	-	-	-	1 187 501	486 949	102 531	-	-	589 480	598 021
Budget and Treasury Office	2 609 336	22 924	-	-	-	2 632 260	1 375 545	205 972	-	-	1 581 517	1 050 743
Corporate Services	288 667	32 905	-	-	-	321 572	190 114	23 725	-	-	213 839	107 732
Community and Social Services	50 854 378	540 439	1 717 032	894 969	-	54 006 817	7 676 506	1 726 774	-	-	9 403 281	44 603 537
Public Safety	1 306 458	423 504	-	13 973 919	-	15 703 881	844 729	352 628	-	-	1 197 357	14 506 523
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development	16 803 314	3 584 972	-	-	-	20 388 286	5 411 430	1 113 653	-	-	6 525 083	13 863 203
Roads and Transport	63 977 537	-	5 424 076	45 402 748	-	114 804 361	19 150 414	5 876 289	-	-	25 026 703	89 777 658
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	1 537 033	3 189 794	-	-	-	4 726 827	1 033 123	157 063	-	-	1 190 186	3 536 641
Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	138 270 978	8 087 782	7 141 108	60 271 635	-	213 771 504	36 168 810	9 558 635	-	-	45 727 446	168 044 058

APPENDIX D
RICHMOND LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					Municipal Governance and Administration					
2 801 055	2 853 000	8 627 797	9 225 075	(5 826 742)	Executive and Council	4 545 000	4 545 000	10 163 326	10 676 838	(5 618 326)
54 358 893	53 567 000	9 573 920	10 720 385	44 784 972	Budget and Treasury Office	65 679 160	63 740 485	11 401 350	13 588 295	54 277 810
1 661 546	1 647 070	9 510 436	10 460 606	(7 848 890)	Corporate Services	1 690 909	1 580 000	10 665 754	11 653 062	(8 974 845)
					Community and Public Safety					
1 856 486	1 884 990	8 967 442	9 128 825	(7 110 956)	Community and Social Services	2 081 383	2 186 000	10 326 371	11 160 005	(8 244 988)
275 131	141 000	2 342 655	2 423 680	(2 067 524)	Public Safety	449 668	170 000	3 207 243	2 791 297	(2 757 575)
4 997 923	4 184 000	5 178 826	5 284 175	(180 903)	Sport and Recreation	5 583 580	3 107 000	5 759 888	5 389 095	(176 308)
348 445	348 445	348 445	348 445	-	Housing	441 753	1 355 753	444 906	1 355 753	(3 152)
					Economic and Environmental Services					
29 009 050	32 511 416	10 873 972	12 212 882	18 135 078	Planning and Development	38 795 537	38 916 773	18 792 671	23 999 934	20 002 866
800 187	867 000	12 362 817	11 463 317	(11 562 630)	Roads and Transport	612 438	618 700	13 139 469	13 011 006	(12 527 030)
					Trading Services					
929 266	929 782	2 405 249	2 955 422	(1 475 983)	Waste Management	3 280 848	3 279 094	2 882 209	3 279 094	398 639
97 037 982	98 933 703	70 191 560	74 222 812	26 846 422	Sub-Total	123 160 276	119 498 805	86 783 185	96 904 379	36 377 091
					Revenue Foregone					
97 037 982	98 933 703	70 191 560	74 222 812	26 846 422	Total	123 160 276	119 498 805	86 783 185	96 904 379	36 377 091

APPENDIX E(1)
RICHMOND LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:															
Executive and Council	4 545 000	-	4 545 000	-	-	4 545 000	4 545 000	-	-	100.00	100.00				2 801 055
Budget and Treasury Office	60 891 436	2 849 049	63 740 485	-	-	63 740 485	65 679 160	-	1 938 675	103.04	107.86				54 358 893
Corporate Services	1 535 000	45 000	1 580 000	-	-	1 580 000	1 690 909	-	110 909	107.02	110.16				1 661 546
Community and Public Safety:															
Community and Social Services	1 823 000	363 000	2 186 000	-	-	2 186 000	2 081 383	-	(104 617)	95.21	114.17				1 856 486
Sport and Recreation	2 107 000	1 000 000	3 107 000	-	-	3 107 000	5 583 580	-	2 476 580	179.71	265.00				4 997 923
Public Safety	80 000	90 000	170 000	-	-	170 000	449 668	-	279 668	264.51	562.08				275 131
Housing	-	1 355 753	1 355 753	-	-	1 355 753	441 753	-	(914 000)	32.58	0.00				348 445
Economic and Environmental Services:															
Planning and Development	29 956 500	8 960 273	38 916 773	-	-	38 916 773	38 795 537	-	(121 236)	99.69	129.51				29 009 050
Road Transport	1 218 700	(600 000)	618 700	-	-	618 700	612 438	-	(6 262)	98.99	50.25				800 187
Trading Services:															
Waste Management	3 548 494	(269 400)	3 279 094	-	-	3 279 094	3 280 848	-	1 754	100.05	92.46				929 266
Total Revenue - Standard	105 705 130	13 793 675	119 498 805	-	-	119 498 805	123 160 276	-	3 661 471	103.06	116.51	-	-	-	97 037 982
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	10 340 188	336 650	10 676 838	-	-	10 676 838	10 163 326	-	(513 512)	95.19	98.29				8 627 797
Budget and Treasury Office	12 827 395	760 900	13 588 295	-	-	13 588 295	11 401 350	-	(2 186 945)	83.91	88.88				9 583 252
Corporate Services	11 782 562	(129 500)	11 653 062	-	-	11 653 062	10 665 754	-	(987 308)	91.53	90.52				9 510 436
Community and Public Safety:															
Community and Social Services	10 961 855	198 150	11 160 005	-	-	11 160 005	10 326 371	-	(833 634)	92.53	94.20				8 967 442
Sport and Recreation	5 242 595	134 500	5 377 095	-	12 000	5 389 095	5 759 888	-	370 793	106.88	109.87				5 178 826
Public Safety	2 565 897	225 400	2 791 297	-	-	2 791 297	3 207 243	-	415 946	114.90	124.99				2 342 655
Housing	-	1 355 753	1 355 753	-	-	1 355 753	444 906	-	(910 848)	32.82	0.00				348 445
Economic and Environmental Services:															
Planning and Development	19 902 981	4 096 953	23 999 934	-	-	23 999 934	18 792 671	-	(5 207 263)	78.30	94.42				10 873 972
Road Transport	12 424 806	598 200	13 023 006	-	(12 000)	13 011 006	13 139 469	-	128 463	100.99	105.75				12 353 486
Trading Services:															
Waste Management	3 548 494	(269 400)	3 279 094	-	-	3 279 094	2 882 209	-	(396 885)	87.90	81.22				2 405 249
Total Expenditure - Standard	89 596 773	7 307 606	96 904 379	-	-	96 904 379	86 783 185	-	(10 121 194)	89.56	96.86	-	-	-	70 191 560
Surplus/(Deficit) for the year	16 108 357	6 486 069	22 594 426	-	-	22 594 426	36 377 091	-	13 782 664	161.00	225.83	-	-	-	26 846 422

APPENDIX E (2)
RICHMOND LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - Executive and Council	4 545 000	-	4 545 000	-	-	4 545 000	4 545 000	-	-	100.00	100.00				2 801 055
Vote 2 - Finance and Administration	61 881 436	2 849 049	64 730 485	-	-	64 730 485	66 671 140	-	1 940 655	103.00	107.74				55 416 970
Vote 3 - Community and Social Services	2 368 000	1 763 753	4 131 753	-	-	4 131 753	3 222 065	-	(909 688)	77.98	136.07				2 808 399
Vote 4 - Planning and Development	29 956 500	8 960 273	38 916 773	-	-	38 916 773	38 795 537	-	(121 236)	99.69	129.51				29 009 050
Vote 5 - Public Safety	730 000	(410 000)	320 000	-	-	320 000	526 220	-	206 220	164.44	72.08				562 811
Vote 6 - Road Transport	568 700	(100 000)	468 700	-	-	468 700	535 887	-	67 187	114.33	94.23				512 507
Vote 7 - Sport and Recreation	2 107 000	1 000 000	3 107 000	-	-	3 107 000	5 583 580	-	2 476 580	179.71	265.00				4 997 923
Vote 8 - Waste Management	3 548 494	(269 400)	3 279 094	-	-	3 279 094	3 280 848	-	1 754	100.05	92.46				929 266
Total Revenue by Vote	105 705 130	13 793 675	119 498 805	-	-	119 498 805	123 160 276	-	3 661 471	103.06	116.51	-	-	-	97 037 982
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	10 340 188	336 650	10 676 838	-	-	10 676 838	10 163 326	-	(513 512)	95.19	98.29				8 627 797
Vote 2 - Finance and Administration	20 270 054	760 900	21 030 954	-	-	21 030 954	18 283 709	-	(2 747 245)	86.94	90.20				15 624 447
Vote 3 - Community and Social Services	13 146 345	1 596 903	14 743 248	-	-	14 743 248	12 791 968	-	(1 951 280)	86.76	97.30				11 027 798
Vote 4 - Planning and Development	19 902 981	4 096 953	23 999 934	-	-	23 999 934	18 792 671	-	(5 207 263)	78.30	94.42				10 873 972
Vote 5 - Public Safety	6 715 695	(240 400)	6 475 295	-	-	6 475 295	6 229 808	-	(245 487)	96.21	92.76				4 840 732
Vote 6 - Road Transport	10 449 421	889 000	11 338 421	-	(12 000)	11 326 421	11 890 966	-	564 545	104.98	113.80				11 612 739
Vote 7 - Sport and Recreation	5 223 595	137 000	5 360 595	-	12 000	5 372 595	5 748 528	-	375 933	107.00	110.05				5 178 826
Vote 8 - Waste Management	3 548 494	(269 400)	3 279 094	-	-	3 279 094	2 882 209	-	(396 885)	87.90	81.22				2 405 249
Total Expenditure by Vote	89 596 773	7 307 606	96 904 379	-	-	96 904 379	86 783 185	-	(10 121 194)	89.56	96.86	-	-	-	70 191 560
Surplus/(Deficit) for the year	16 108 357	6 486 069	22 594 426	-	-	22 594 426	36 377 091	-	13 782 664	161.00	225.83	-	-	-	26 846 422

APPENDIX E (3)
RICHMOND LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
Revenue by Source	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Property Rates	10 100 000	500 000	10 600 000	-	-	10 600 000	10 985 181	-	385 181	103.63	108.76	-	-	-	10 167 863
Property Rates - Penalties & Collection Charges	300 000	400 000	700 000	-	-	700 000	1 282 718	-	582 718	183.25	427.57	-	-	-	1 037 247
Service Charges - Refuse	450 000	-	450 000	-	-	450 000	451 165	-	1 165	100.26	100.26	-	-	-	425 934
Rental of Facilities and Equipment	2 771 500	978 000	3 749 500	-	-	3 749 500	6 223 857	-	2 474 357	165.99	224.57	-	-	-	5 583 050
Interest Earned - External Investments	2 500 000	585 000	3 085 000	-	-	3 085 000	3 945 953	-	860 953	127.91	157.84	-	-	-	3 110 101
Interest Earned - Outstanding Debtors	105 000	(20 000)	85 000	-	-	85 000	91 372	-	6 372	107.50	87.02	-	-	-	103 920
Fines	52 500	-	52 500	-	-	52 500	355 999	-	303 499	678.09	678.09	-	-	-	168 550
Licences and Permits	675 500	(500 000)	175 500	-	-	175 500	83 377	-	(92 123)	47.51	12.34	-	-	-	325 603
Agency Services	593 700	(100 000)	493 700	-	-	493 700	571 567	-	77 867	115.77	96.27	-	-	-	558 232
Transfers Recognised - Operational	70 459 000	2 560 835	73 019 835	-	-	73 019 835	69 869 281	-	(3 150 554)	95.69	99.16	-	-	-	74 934 616
Other Revenue	321 930	1 544 649	1 866 579	-	-	1 866 579	2 044 146	-	177 567	109.51	634.97	-	-	-	622 867
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital Transfers & Contributions)	88 329 130	5 948 484	94 277 614	-	-	94 277 614	95 904 616	-	1 627 002	101.73	108.58	-	-	-	97 037 982
Expenditure															
Employee Related Costs	36 747 834	(957 200)	35 790 634	-	-	35 790 634	33 562 677	-	(2 227 957)	93.78	91.33	-	-	-	27 440 156
Remuneration of Councillors	4 472 944	(193 000)	4 279 944	-	-	4 279 944	4 202 268	-	(77 676)	98.19	93.95	-	-	-	4 013 283
Debt Impairment	1 085 000	550 000	1 635 000	-	-	1 635 000	960 872	-	(674 128)	58.77	88.56	-	-	-	1 039 605
Depreciation and Asset Impairment	7 899 035	680 250	8 579 285	-	-	8 579 285	9 558 635	979 351	979 351	111.42	121.01	-	-	-	8 683 571
Finance Charges	345 000	15 000	360 000	-	-	360 000	453 573	93 573	93 573	125.99	131.47	-	-	-	46 335
Other Materials	2 065 000	317 400	2 382 400	-	-	2 382 400	1 925 640	-	(456 760)	80.83	93.25	-	-	-	2 479 726
Contracted Services	8 468 100	4 273 453	12 741 553	-	-	12 741 553	8 318 864	-	(4 422 689)	65.29	98.24	-	-	-	7 583 504
Transfers and Grants	990 000	1 980 753	2 970 753	-	6 385	2 977 138	1 998 716	-	(978 422)	67.14	201.89	-	-	-	1 345 454
Other Expenditure	27 523 860	620 950	28 144 810	-	(6 385)	28 138 425	25 801 807	-	(2 336 618)	91.70	93.74	-	-	-	17 452 641
Loss on Disposal of PPE	-	20 000	20 000	-	-	20 000	132	-	(19 868)	0.66	0.00	-	-	-	107 285
Total Expenditure	89 596 773	7 307 606	96 904 379	-	-	96 904 379	86 783 185	1 072 924	(10 121 194)	89.56	96.86	-	-	-	70 191 560
Surplus/(Deficit)	(1 267 643)	(1 359 122)	(2 626 765)	-	-	(2 626 765)	9 121 431	(1 072 924)	11 748 196	0.00	0.00	-	-	-	26 846 422
Transfers Recognised - Capital	17 376 000	7 845 191	25 221 191	-	-	25 221 191	27 255 660	2 034 469	2 034 469	108.07	156.86	-	-	-	-
Surplus/(Deficit) for the Year	16 108 357	6 486 069	22 594 426	-	-	22 594 426	36 377 091	961 545	13 782 664	161.00	225.83	-	-	-	26 846 422

APPENDIX E(4)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure															
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and Council	100 000	1 666 648	1 766 648	-	-	1 766 648	293 244	-	(1 473 404)	16.60	293.24	-	-	-	-
Vote 2 - Finance and Administration	343 000	24 400	367 400	-	-	367 400	55 829	-	(311 571)	15.20	16.28	-	-	-	-
Vote 3 - Community and Social Services	581 000	224 989	805 989	-	-	805 989	1 063 077	-	257 088	131.90	182.97	-	-	-	-
Vote 4 - Planning and Development	130 000	5 026 000	5 156 000	-	-	5 156 000	3 584 972	-	(1 571 028)	69.53	2 757.67	-	-	-	-
Vote 5 - Public Safety	634 000	2 158 500	2 792 500	-	-	2 792 500	2 529 795	-	(262 705)	90.59	399.02	-	-	-	-
Vote 6 - Road Transport	22 537 000	11 740 580	34 277 580	-	-	34 277 580	22 317 819	-	(11 959 761)	65.11	99.03	-	-	-	-
Vote 7 - Sport and Recreation	1 226 000	948 000	2 174 000	-	-	2 174 000	-	-	(2 174 000)	0.00	0.00	-	-	-	-
Vote 8 - Waste Management	300 000	5 700	305 700	-	-	305 700	3 189 794	-	2 884 094	1 043.44	1 063.26	-	-	-	-
Total Capital Expenditure - Single-year	25 851 000	21 794 817	47 645 817	-	-	47 645 817	33 034 530	-	(14 611 288)	69.33	127.79	-	-	-	-
Total Capital Expenditure - Vote	25 851 000	21 794 817	47 645 817	-	-	47 645 817	33 034 530	-	(14 611 288)	69.33	127.79	-	-	-	-
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	100 000	1 666 648	1 766 648	-	-	1 766 648	293 244	-	(1 473 404)	16.60	293.24	-	-	-	45 488
Budget and Treasury Office	-	10 000	10 000	-	-	10 000	22 924	12 924	12 924	229.24	0.00	-	-	-	138 363
Corporate Services	343 000	14 400	357 400	-	-	357 400	32 905	-	(324 495)	9.21	9.59	-	-	-	-
Community and Public Safety:															
Community and Social Services	581 000	224 989	805 989	-	-	805 989	1 063 077	257 088	257 088	131.90	182.97	-	-	-	10 919 685
Sport and Recreation	1 226 000	948 000	2 174 000	-	-	2 174 000	-	-	(2 174 000)	0.00	0.00	-	-	-	-
Public Safety	634 000	2 158 500	2 792 500	-	-	2 792 500	2 529 795	-	(262 705)	90.59	399.02	-	-	-	-
Economic and Environmental Services:															
Planning and Development	130 000	5 026 000	5 156 000	-	-	5 156 000	3 584 972	-	(1 571 028)	69.53	2 757.67	-	-	-	1 341 845
Road Transport	22 537 000	11 740 580	34 277 580	-	-	34 277 580	22 317 819	-	(11 959 761)	65.11	99.03	-	-	-	12 052 693
Trading Services:															
Waste Management	300 000	5 700	305 700	-	-	305 700	3 189 794	2 884 094	2 884 094	1 043.44	1 063.26	-	-	-	-
Total Capital Expenditure - Standard	25 851 000	21 794 817	47 645 817	-	-	47 645 817	33 034 530	3 154 106	(14 611 288)	69.33	127.79	-	-	-	24 498 074
FUNDED BY:															
National Government	17 376 000	165 400	17 541 400	-	-	17 541 400	24 945 282	7 403 882	7 403 882	142.21	143.56	-	-	-	8 809 001
Provincial Government	-	51 000	51 000	-	-	51 000	4 422 602	4 371 602	4 371 602	8 671.77	0.00	-	-	-	-
District Municipality	-	-	-	-	-	-	23 158	23 158	23 158	0.00	0.00	-	-	-	-
Other Transfers and Grants	-	5 000 000	5 000 000	-	-	5 000 000	-	-	(5 000 000)	0.00	0.00	-	-	-	1 470 971
Transfers Recognised - Capital	17 376 000	5 216 400	22 592 400	-	-	22 592 400	29 391 042	11 798 642	6 798 642	130.09	169.15	-	-	-	10 279 972
Public Contributions & Donations	-	-	-	-	-	-	349 254	349 254	349 254	0.00	0.00	-	-	-	-
Borrowing	-	-	-	-	-	-	242 307	242 307	242 307	0.00	0.00	-	-	-	-
Internally Generated Funds	8 475 000	16 578 417	25 053 417	-	-	25 053 417	2 356 889	-	(22 696 529)	9.41	27.81	-	-	-	10 927 412
Total Capital Funding	25 851 000	21 794 817	47 645 817	-	-	47 645 817	32 339 492	12 390 203	(15 306 325)	67.87	125.10	-	-	-	21 207 384
							(695 038)		(695 038)						

APPENDIX E(5)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16								2014/15
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	14 110 174	-	14 110 174	14 110 174	1 159 896	(12 950 278)	8.22	8.22	16 554 093
Government - Operating	69 606 000	(7 845 191)	61 760 809	61 760 809	70 256 119				37 668 349
Government - Capital	17 376 000	7 845 191	25 221 191	25 221 191	27 255 660	2 034 469	108.07	156.86	27 318 545
Interest	2 500 000	-	2 500 000	2 500 000	3 945 953	1 445 953	157.84	157.84	3 110 101
Payments									
Suppliers and Employees	(78 902 737)	1 980 753	(76 921 984)	(76 915 599)	(66 407 404)	10 508 195	0.00	0.00	(55 100 529)
Finance Charges	(175 000)	-	(175 000)	(175 000)	(453 573)	(278 573)	0.00	0.00	(46 335)
Transfers and Grants	(990 000)	(1 980 753)	(2 970 753)	(2 977 138)	(1 998 716)	978 422	0.00	0.00	(1 345 454)
NET CASH FROM / (USED) OPERATING ACTIVITIES	23 524 437	0	23 524 437	23 524 437	33 757 935	1 738 188	143.50	143.50	28 158 769
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	(0)	(0)	0.00	0.00	47 040
Decrease / (Increase) in Non-current Debtors	13 164 000	-	13 164 000	13 164 000	-	(13 164 000)	0.00	0.00	-
Payments									
Capital Assets	(25 850 650)	-	(25 850 650)	(25 850 650)	(33 034 530)	(7 183 880)	0.00	0.00	(26 958 617)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(12 686 650)	-	(12 686 650)	(12 686 650)	(33 034 530)	(20 347 880)	0.00	0.00	(26 911 577)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	242 307
Payments									
Loans repaid	-	-	-	-	(50 488)	(50 488)	0.00	0.00	(100 456)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	(50 488)	(50 488)	0.00	0.00	141 852
NET INCREASE / (DECREASE) IN CASH HELD	(10 837 787)	-	(10 837 787)	(10 837 787)	(672 917)	10 164 870	0.00	0.00	(1 389 044)
Cash / Cash Equivalents at the Year begin:	31 162 000	15 901 172	47 063 172	47 063 172	47 063 172	(0)	100.00	151.03	45 674 128
Cash / Cash Equivalents at the Year end:	41 999 787	15 901 172	57 900 959	57 900 959	47 736 089	(10 164 870)	82.44	113.66	47 063 172

APPENDIX F
RICHMOND LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	22 567 000	18 054 000	13 541 000	0	22 567 000	18 054 000	13 541 000	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 800 000	0	0	0	367 089	588 688	292 296	551 927	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	6 200 000	7 800 000	11 017 000	0	7 596 157	11 966 303	2 166 313	1 170 855	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	7 000 000	3 000 000	0	0	845 111	7 635 955	1 518 934	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	930 000	0	0	0	16 453	201 000	174 170	538 377	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DOHS Grant (Zwelethu Hous	Province	0	0	441 753	0	0	0	441 753	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	418 000	314 000	314 000	0	145 454	431 253	469 294	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Library Services Grant	Province	707 000	0	0	0	707 000	0	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Library Cyber Cadet	Province	0	170 000	0	0	1 454	0	0	38 821	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province	0	0	0	0	1 730	37 907	25 650	84 712	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Local District Municipality	UMDM	0	0	0	60 000	0	0	0	12 180	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		39 622 000	29 338 000	25 313 753	60 000	32 247 449	38 915 106	18 629 409	2 396 872	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

APPENDIX G
RICHMOND LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor Ragavaloo A.	-	680 006	-	30 468	72 006	-	-	-	-	-	-	782 480
Deputy Mayor Ngcobo P.C.	-	271 003	-	88 571	-	-	-	-	-	-	-	359 574
Speaker (Vacant)	-	-	-	-	-	-	-	-	-	-	-	-
Executive Committee Kunene T.D.	-	230 499	-	77 518	2 399	-	-	-	-	-	-	310 416
Other Councillors Jili J.	-	173 464	-	68 175	11 310	-	-	-	-	-	-	252 949
Madonda T.C.	-	163 238	-	68 175	21 536	-	-	-	-	-	-	252 949
Magubane K.E.	-	167 809	-	68 175	16 965	-	-	-	-	-	-	252 949
Maphumulo M. (Deceased Jan 2016)	-	94 674	-	39 769	13 111	-	-	-	-	-	-	147 553
Mdlalose S.A.	-	168 055	-	68 175	16 719	-	-	-	-	-	-	252 949
Mkhize N.O. (March to June 2016)	-	65 719	-	7 038	-	-	-	-	-	-	-	72 757
Mngadi B.M.	-	180 518	-	68 175	4 256	-	-	-	-	-	-	252 949
Moonsamay P.	-	167 494	-	68 175	17 280	-	-	-	-	-	-	252 949
Ngcongco B.	-	180 518	-	68 175	4 256	-	-	-	-	-	-	252 949
Ngubo M.D.B.	-	180 518	-	68 175	4 256	-	-	-	-	-	-	252 949
Shange R.B.	-	167 809	-	68 175	16 965	-	-	-	-	-	-	252 949
Tshelembe W.T.	-	184 774	-	68 175	-	-	-	-	-	-	-	252 949
Total for Councillors	-	3 076 097	-	925 114	201 058	-	-	-	-	-	-	4 202 268
Municipal Manager Sithole E.S.	-	981 352	-	145 200	39 578	-	-	-	-	-	-	1 166 130
Chief Financial Officer Mewalall S.	-	831 271	-	127 800	10 664	-	-	-	-	-	-	969 735
Manager: Community Services Mhlongo B.M.	-	701 512	-	177 000	97 923	-	-	-	-	-	-	976 436
Manager: Corporate Services Mthmebu S.L.	-	717 309	-	169 800	82 127	-	-	-	-	-	-	969 236
Manager: Technical Services Mkhize S.D.	-	703 564	-	275 800	1 872	-	-	-	-	-	-	981 236
Total for Senior Managers	-	3 935 008	-	895 600	232 165	-	-	-	-	-	-	5 062 773
Total for Management	-	7 011 105	-	1 820 714	433 222	-	-	-	-	-	-	9 265 041

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor Ragavaloo A.	-	640 489	-	30 468	72 006	-	-	-	-	-	-	742 963
Deputy Mayor Ngcobo P.C.	-	252 035	-	88 571	-	-	-	-	-	-	-	340 606
Speaker Shabalala S.T. (July 2014 to January 2015)	-	142 055	-	51 666	4 965	-	-	-	-	-	-	198 687
Executive Committee Kunene T.D.	-	233 664	-	84 565	2 617	-	-	-	-	-	-	320 847
Other Councillors Jili J.	-	129 712	-	56 405	9 896	-	-	-	-	-	-	196 013
Madonda T.C.	-	150 305	-	68 175	21 536	-	-	-	-	-	-	240 016
Magubane K.E.	-	154 875	-	68 175	16 965	-	-	-	-	-	-	240 016
Maphumulo M.	-	141 959	-	68 175	29 881	-	-	-	-	-	-	240 016
Mdlalose S.A.	-	155 122	-	68 175	16 719	-	-	-	-	-	-	240 016
Mngadi B.M.	-	167 585	-	68 175	4 256	-	-	-	-	-	-	240 016
Moonsamay P.	-	154 561	-	68 175	17 280	-	-	-	-	-	-	240 016
Ngcongo B.	-	167 585	-	68 175	4 256	-	-	-	-	-	-	240 016
Ngubo M.D.B.	-	167 585	-	68 175	4 256	-	-	-	-	-	-	240 016
Shange R.B.	-	154 875	-	68 175	16 965	-	-	-	-	-	-	240 016
Tshelembe W.T. (April 2015 to June 2015)	-	39 368	-	16 636	-	-	-	-	-	-	-	56 004
Total for Councillors	-	2 851 775	-	941 886	221 597	-	-	-	-	-	-	4 015 259
Municipal Manager Sithole E.S.	-	603 981	-	417 030	32 646	-	-	-	-	-	-	1 053 657
Chief Financial Officer Hloba M.	-	133 170	-	22 001	3 663	-	-	-	-	-	-	158 834
Manager: Community Services Mhlongo B.M.	-	216 383	-	564 796	94 332	-	-	-	-	-	-	875 510
Manager: Corporate Services Mthmebu S.L.	-	277 223	-	523 241	77 445	-	-	-	-	-	-	877 910
Manager: Technical Services Mkhize S.D.	-	536 882	-	336 761	1 866	-	-	-	-	-	-	875 510
Total for Senior Managers	-	1 767 639	-	1 863 830	209 952	-	-	-	-	-	-	3 841 421
Total for Management	-	4 619 414	-	2 805 716	431 550	-	-	-	-	-	-	7 856 680

APPENDIX H
RICHMOND LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2016	2015		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		27.57%	25.91%	Refer to Page 2 of MFMA Circular No 71	
					Total Operating Expenditure	86 783 185	70 191 560		
					Taxation Expense	-	-		
					Total Capital Expenditure	33 034 530	24 544 519		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.12%	Refer to Page 3 of MFMA Circular No 71	
					PPE, Investment Property & Intangible Impairment	-	184 017		
					PPE at Carrying Value	167 007 732	143 528 816		
					IP at Carrying Value	4 114 852	4 114 852		
					Intangible Assets at Carrying Value	4 594	7 748		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		1.13%	1.68%	Refer to Page 4 of MFMA Circular No 71	
					Total Repairs and Maintenance Expenditure	1 925 640	2 479 726		
					PPE at Carrying Value	167 007 732	143 528 816		
					Investment Property at Carrying Value	4 114 852	4 114 852		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		80.81%	89.41%	Refer to Page 5 of MFMA Circular No 71	
					Gross Debtors Closing Balance	11 854 881	9 385 784		
					Gross Debtors Opening Balance	9 385 784	8 156 706		
					Bad Debts Written-off	(10 864)	13 587		
					Billed Revenue	12 810 437	11 734 964		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		-1.71%	1.51%	Refer to Page 5 of MFMA Circular No 71	
					Consumer Debtors Bad Debts Written-off	(10 864)	13 587		
					Consumer Debtors Current Bad Debt Provision	635 875	897 537		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		155 Days	112 Days	Refer to Page 6 of MFMA Circular No 71	
					Gross Debtors	11 854 881	9 385 784		
					Bad Debts Provision	6 425 922	5 779 183		
					Billed Revenue	12 810 437	11 734 964		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		6 Months	8 Months	Refer to Page 7 of MFMA Circular No 71	
					Cash and Cash Equivalents	47 736 089	47 063 172		
					Unspent Conditional Grants	7 803 357	7 416 519		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	76 263 546	60 361 099		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		3.40	2.86	Refer to Page 7 of MFMA Circular No 71	
					Current Assets	74 850 963	54 294 073		
					Current Liabilities	22 015 113	19 006 117		

APPENDIX H
RICHMOND LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2016	2015		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	0.02% 64 069 (50 488) 86 783 185 -	-0.08% 46 335 (100 456) 70 191 560 -	Refer to Page 8 of MFMA Circular No 71	
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	Total Debt Total Operating Revenue Operational Conditional Grants	0.21% 112 133 123 160 276 70 232 678	0.00% - - 46 882 920	Refer to Page 9 of MFMA Circular No 71	
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	Cash and Cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	100.00% 47 736 089 - - 266 7 803 357 207 962 824 - - - - 207 962 824	100.00% 47 063 172 - - 266 7 416 519 171 585 733 - - - - 171 585 733	Refer to Page 9 of MFMA Circular No 71	
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%	Total Operating Revenue Depreciation - Revalued Portion Total Operating Expenditure Taxation Expense	29.54% 123 160 276 - 86 783 053 -	27.78% 97 037 982 - 70 084 276 -	Refer to Page 10 of MFMA Circular No 71	
2.	Net Surplus / Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure / Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	0% - 15%	Total Electricity Revenue Total Electricity Expenditure	0.00% - -	0.00% - -	Refer to Page 10 of MFMA Circular No 71	
3.	Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Water Revenue Total Water Expenditure	0.00% - -	0.00% - -	Refer to Page 11 of MFMA Circular No 71	
4.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Refuse Revenue Total Refuse Expenditure	12.15% 3 280 848 2 882 209	-158.83% 929 266 2 405 249	Refer to Page 12 of MFMA Circular No 71	
5.	Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Sanitation and Waste Water Revenue Total Sanitation and Waste Water Expenditure	0.00% - -	0.00% - -	Refer to Page 12 of MFMA Circular No 71	

APPENDIX H
RICHMOND LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Formula		Data Source	Norm / Range	Input Description		Data Inputs and Results		Interpretation	Management Comments (#)
								2016	2015		
B. Distribution Losses											
1.	Electricity Distribution Losses (Percentage)	((Number of Electricity Units Purchased and/or Generated - Number of Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		0.00%	0.00%	Refer to Page 13 of MFMA Circular No 71			
					Number of Units Purchased and/or Generated	-	-				
					Number of Units Sold	-	-				
2.	Water Distribution Losses (Percentage)	((Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		0.00%	0.00%	Refer to Page 13 of MFMA Circular No 71			
					Number of Kilolitres Purchased and/or Purified	-	-				
					Number of Kilolitres Sold	-	-				
C. Revenue Management											
1.	Growth in Number of Active Consumer Accounts	((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None		0.20%	16.80%	Refer to Page 14 of MFMA Circular No 71			
					Number of Active Debtors Accounts (Previous)	3 553	3 042				
					Number of Active Debtors Accounts (Current)	3 560	3 553				
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		26.92%	13.94%	Refer to Page 15 of MFMA Circular No 71			
					CPI	4.70%	6.60%				
					Total Revenue (Previous)	97 037 982	85 168 008				
					Total Revenue (Current)	123 160 276	97 037 982				
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI		39.55%	16.56%	Refer to Page 15 of MFMA Circular No 71			
					CPI	4.70%	6.60%				
					Total Revenue, excluding Capital Grants (Previous)	68 986 286	59 184 155				
					Total Revenue, excluding Capital Grants (Current)	96 268 013	68 986 286				
D. Expenditure Management											
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		26 Days	6 Days	Refer to Page 16 of MFMA Circular No 71			
					Trade Creditors	4 929 949	841 700				
					Contracted Services	8 318 864	7 583 504				
					Repairs and Maintenance	1 925 640	2 479 726				
					General Expenses	25 639 127	17 387 115				
					Bulk Purchases	-	-				
					Capital Credit Purchases	33 034 530	26 958 617				
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		4.48%	1.66%	Refer to Page 16 of MFMA Circular No 71			
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	3 886 991	1 163 244				
					Total Operating Expenditure	86 783 185	70 191 560				
					Taxation Expense	-	-				
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		43.52%	44.81%	Refer to Page 17 of MFMA Circular No 71			
					Employee / Personnel Related Cost	33 562 677	27 440 156				
					Councillors Remuneration	4 202 268	4 013 283				
					Total Operating Expenditure	86 783 185	70 191 560				
					Taxation Expense	-	-				
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		9.59%	10.80%	Refer to Page 17 of MFMA Circular No 71			
					Contracted Services	8 318 864	7 583 504				
					Total Operating Expenditure	86 783 185	70 191 560				
					Taxation Expense	-	-				

APPENDIX H
RICHMOND LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2016	2015		
E. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		9.97%	34.07%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	3 294 234	8 362 212		
					Borrowings	-	-		
					Total Capital Expenditure	33 034 530	24 544 519		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		9.97%	34.07%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	3 294 234	8 362 212		
					Total Capital Expenditure	33 034 530	24 544 519		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		27.04%	32.04%	Refer to Page 18 of MFMA Circular No 71	
					Total Revenue	123 160 276	97 037 982		
					Government Grant and Subsidies	97 124 941	74 934 616		
					Public Contributions and Donations	-	-		
					Capital Grants	26 892 263	28 051 696		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		69.33%	73.45%	Refer to Page 19 of MFMA Circular No 71	
					Actual Capital Expenditure	33 034 530	24 544 519		
					Budgeted Capital Expenditure	47 645 817	33 415 800		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		89.56%	94.57%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Expenditure	86 783 185	70 191 560		
					Budgeted Operating Expenditure	96 904 379	74 222 812		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		103.06%	98.08%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Revenue	123 160 276	97 037 982		
					Budgeted Operating Revenue	119 498 805	98 933 703		
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		103.50%	102.34%	Refer to Page 21 of MFMA Circular No 71	
					Actual Service Charges and Property Rates Revenue	11 436 346	10 593 797		
					Budgeted Service Charges and Property Rates Revenue	11 050 000	10 352 000		
Interpretation of Results:									
	The green colour indicates that the result is within the norm and is acceptable.								
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.								
	Data should be captured in the blue coloured cell to calculate a ratio.								
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.								